PACIFIC CHOICE

Revamping the Cook Islands Public Sector

Asian Development Bank
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Revamping the Cook Islands Public Sector

By Vaine Iriano Wichman

Asian Development Bank
Capacity Development Series

This sub-series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some of the opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues and effective use of external resources. It is our hope that the findings in these reports will help to guide future capacity building efforts in the Pacific.

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Despite 50 years of aid in the Pacific region, including some S$17 billion invested over the past 25 years, overall results in terms of sustainable improvements in capacity have been mixed, at best. This raises questions, not only in the Pacific but also throughout the developing world, about approaches to capacity development—what works, what doesn’t, and why? The Asian Development Bank (ADB) recognizes the importance of capacity development, having officially embraced it as a thematic priority in 2004. ADB’s commitment is consistent with the Paris Declaration on Aid Effectiveness and the Pacific Principles on Aid Effectiveness. The programs of a number of other funding agencies, including the Australian Agency for International Development (AusAID), New Zealand’s Agency for International Development (NZAID), United Nations Development Programme (UNDP), and the World Bank also embrace the importance of more effective capacity development.

Increased interest in capacity development in recent years reflects an acknowledgment of the shortcomings in development assistance over the past 50 years. This has led to calls for approaches that are more systematic and integrated, and which focus more on developing country ownership and achievement of sustainable results. Capacity amounts to the policy, procedures, personnel, organizations, institutions, and supporting environment required to effectively deliver development outcomes. In particular, ADB has focused on the ability of public sector capacity to deliver essential services, thereby strengthening the compact between government, civil society, and the private sector. Capacity development is much more than just training or skills transfer. It is really about effective organizations and institutions, a sound un politicized policy environment, accountability systems, effective relationships, and appropriate incentives. And as noted in this study, capacity development should be firmly rooted in a country’s political economy.

To gain a better understanding of what works in terms of approaches to capacity development, ADB’s Pacific Department (PARD) commissioned a regional study in 2007. The study was rooted in 20 case studies from 11 countries across the region, prepared mainly by Pacific islands consultants. The case studies covered a range of programming experiences—from economic planning, to infrastructure development, health and legal sector reform, and civil society enhancement, as well as different modalities for supporting capacity development. ADB’s intent in commissioning the overall study was to draw upon the individual findings and recommendations to help guide future capacity building efforts in the Pacific, including institutionalizing a more focused and effective approach to capacity development in ADB’s country programs and operations.
The case studies in this series and the overall study report are the result of collaboration among a number of consultants working with ADB under the direction of Steve Pollard, Principal Economist, PARD. The team leader for the overall study was Joe Bolger, and the authors of the studies were Helio Augusto, Kevin Balm, Brian Bell, Ron Duncan, Ben Graham, Ueantabo Mackenzie, James McMaster, Samson Rihuoha, Cedric Saldanha, Tom Seta, Paulina Siop, Eseka Solofa, Kaveinga Tu’itahi, Henry Vira, and Vaine Wickman. The study also benefited from the input of a number of resource persons, including Tony Hughes (Solomon Islands), Lynn Pieper (Timor-Leste), Tim O’Meara (Samoa), and Patricia Lyon, Senior Capacity Development Specialist, AusAID. The case studies represent the situation at the time of writing in 2007.

In conclusion, this report seeks to enhance understanding and dialogue on capacity development and its potential for contributing to poverty reduction and improvements in the quality of life of all Pacific islanders. I trust that you will find it both thought-provoking and practically helpful in advancing our collective commitment to development in the Pacific.

Philip Erquiaga
Director General
Pacific Department
The Cook Islands is made up of 15 islands spread over 2 million square kilometers of the Pacific Ocean. Located in the center of the Polynesian triangle, the country is flanked by Fiji Islands to the west, Tahiti to the east, Hawaii to the north, and New Zealand in the south. The population in 2006 was about 19,500, with more than 11,000 living on the main island of Rarotonga, and the remaining dispersed on 11 islands throughout the Cook Islands group.

The country became self-governing in 1965, after many years of New Zealand administration. Today Cook Islanders enjoy easy access to New Zealand based on a constitutional agreement with their neighbor to the south. In fact, Cook Islanders have been migrating to New Zealand for the last 60 years. They do so for many reasons—but it is usually to pursue a better life or higher income, for an education, for medical reasons, or for extended visits with family and relatives there.

Rarotonga is the main island in the Cook Islands, and hosts the capital Avarua and the major sea and airports for the country. Parliament and key government agencies are all located on the main island. The remaining 12 inhabited islands are divided regionally into the Northern and Southern Cook Islands. The Northern Islands are made up of Penrhyn, Pukapuka, Nassau, Rakahanga, Manihiki, Palmerston, and Suwarrow. The Southern islands are Aitutaki, Mangaia, Mitiaro, Mauke, and Atiu. The Northern islands are atoll islands (and more remote), while the southern islands, including Rarotonga, are volcanic.

The Cook Islands Economic Reform Program began in 1996 and had an important impact on the economy, shifting it from being public sector–driven to private sector–led, and focusing on growth.

This case highlights a component of the reform program that was initiated to assist government employees shift their practices and policies to align with reform directions.
BACKGROUND

The Case in Context

In 1996, the Government of the Cook Islands set about implementing sweeping economic and public sector reforms to shift the management attitude and style of the bureaucracy. The Government had established a reputation for complacency and supporting shady investment deals (e.g., the Vaimaanga Hotel).[1] The new vision was based on a robust, private sector–led economy, with Government providing essential support services and infrastructure to facilitate private sector growth.

A comprehensive Economic Reform Program (ERP) was initiated to assist in bringing the country back on a growth path. With no cash in the bank, huge local and external debts (at the time estimated at NZ$127 million), the Government was staring at a 6-month cash-flow shortage and further serious deterioration in relations with international banks and donor partners. Leaders in the community and the private sector sat down with Government prior to the reform program being developed to map out a “pathway to recovery” plan. From a series of three retreats in 1996 and 1997, Cook Islanders consolidated a road map to pull them out of this economic crisis. The ERP package was based on a five-point strategy that included (i) rightsizing the public sector; (ii) privatizing government functions and agencies that would operate better in the private sector; (iii) providing incentives to grow the private sector; (iv) curbing government spending and increasing revenue collection; and (v) rescheduling the time frame for repaying local and international debts.

[1] In the mid-1980s, the Government secured a loan from an Italian bank to build a high-quality hotel in Rarotonga. This major investment was known as the Vaimaanga Hotel (after the subvillage, where the hotel was built). Twenty years later, the loans to build the large complex are exhausted, but the buildings lie uncompleted. Only in 2006 did a Cook Islands developer taken on the task of trying to complete this ill-conceived government investment.
This case focuses on the capacity development interventions under the rightsizing of the public service component of the ERP, which included:

- a retrenchment program for displaced public servants;
- training and skill upgrades to facilitate a shift toward either the reformed public sector, or the private sector;
- retraining and outfitting the public servants who made it into the reformed public service regime (e.g., in output budgeting, legislative changes, management practices, and communication).

As the case will highlight, the activities undertaken under the banner of rightsizing not only reduced the size of the public service and increased the skill levels of remaining staff, but also contributed significantly to a change in the management culture in Government.

A loan of NZ$7.2 million was secured from the Asian Development Bank (ADB) in 1996 to activate technical assistance to (i) help reform financial controls, (ii) revise relevant legislation, (iii) pay back all public servants who suffered a 15% cut in their pay for 3 months prior to July 1996, and (iv) provide 3-month severance payouts to displaced civil servants. A commercial bank (ANZ) supported efforts to shift displaced public servants into the private sector, by providing a soft lending facility to them.

Training costs associated with this case were not funded by the ADB loan. However, NZAID\(^2\) provided approximately NZ$360,000 over 3 years for this purpose.

**Genesis of the Case**

As the Government’s financial and economic reforms set in, individual government departments began to feel the brunt. The number of government ministries was reduced from 52 before the reforms to 22 ministries/agencies after 1 July 1996.

The speed, scope, and extent of the economic reform process was remarkable, with much being achieved in the first 6 months of 1996/97 alone in terms of trimming the number of ministries and

\(^2\) New Zealand’s International Aid & Development Agency.
REVAMPING THE COOK ISLANDS PUBLIC SECTOR

The conclusions from the ADB/NZAID/GCI meeting convinced the Government to investigate opportunities to strengthen relevant capacity in the public sector. Thus, the birth of the reform initiative described in this case was, in hindsight, a response to an obvious gap in the ERP design.

Unfortunately, no comprehensive assessment of capacity deficiencies was ever done at the time ERP was designed. Why? The environment was such that in the years leading up to the economic crisis in 1995/96, the Government continued to deny that a crisis was pending. By the middle of 1996, an ADB/NZAID technical assistance team had illuminated the real financial position of the Government. Before that, the treasury department had dragged its feet in providing official, up-to-date government accounts. The figures pulled together by the ADB/NZAID team showed the need to take drastic actions that were not strong enough to resist cabinet directives to use funds stashed away in public servants' superannuation savings (pension funds) and reserves.

As one Cook Islands government personnel. However, in the midst of all this chaotic spending, etc., could only be sustained if a cadre of public service managers had the skills and disposition to support the reforms. Maintaining the momentum of change became paramount. Planners at that meeting agreed that more knowledge and training in areas such as human resource management, financial management, and policy development would improve the capacities of public sector managers to keep pace with the changes which were unfolding.
member of the ERP team put it bluntly: “the ground had already disappeared in front of us.”

The problem of lack of capacity in the public sector, especially at the senior and middle management levels, became more evident after the reformed public servants had been enlisted. Many of the skills coming into the reformed public service were now out of date in light of the introduction of output budgeting and other new measures, including updated guidelines on spending and procurement to ensure transparency and accountability. But while many of these employees may not have had all of the requisite skills, there was a sense that they had the potential and the attitude to meet the challenges at hand.

Critics would say that the Economic Reform Program (ERP) (as well as the capacity development highlighted in this case) was donor driven. Perhaps during implementation, this may, to a considerable degree, have been the case, but in terms of the inception and the will to keep it on track in those first 3 years, it was definitely driven by the general public and the government of the day. In fact, Sir Geoffrey Henry, the then Minister of Finance committed at the 1997 ADB Governors’ meeting that the ERP would stay on track.
THE CASE

Assessing the Problem and Designing a Response

As mentioned above, the idea of enhancing the capacity of public sector managers was identified during a meeting involving ADB, NZAID, and the Government of the Cook Islands. NZAID subsequently agreed to fund this component in the context of the broader ERP.

The Institute of Executive Development at Massey University in New Zealand had tailored a diploma program for Samoa in 1995 when that country began to implement its economic and public sector reform program. NZAID and the Government pursued a similar arrangement for the Cook Islands public sector.

The public sector reforms under the Economic Reform Program called for better accountability for spending, and enhanced transparency in government decision making. The Government of the Cook Islands (GCI) believed that these two characteristics could be refined fairly rapidly by providing training to the appropriate public servants. The program originally chosen had been designed based on the needs of New Zealand’s public sector. However, to tailor the program to the needs of the Cook Islands, participants were challenged to find case studies from within their own work environment. This was to complement courses on management theory provided by the Institute of Executive Development.

A project proposal to secure NZAID funding was drawn up by the GCI’s office of the public service commission. The proposal highlighted the objective of the diploma ‘to give public sector

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3 The Institute of Executive Development is the executive management training arm of Massey University, New Zealand. The Institute was brought in early to the country’s public sector reform program by NZAID.
managers the opportunity to participate in an academically rigorous and practically oriented program of public sector management development.”

Prospective participants were screened thoroughly by the staff of the Institute of Executive Development. About 25 participants were chosen from government departments, state-owned agencies, and ministries to participate in each class. The course required an intense commitment by participants as it entailed a total of 1,350 learning hours. The program was envisaged to run for 3 years with intakes in 1997, 1998, and 1999.

The development work and negotiations involved in setting up this program were conducted mainly between the director of the diploma of public sector management program, Dr. Stuart Locke, and the chief executive officer of the public service commission (PSC), Mr. Navy Epati.

The PSC was the on-island coordinator responsible for distribution of course materials, assignment posting, and work program scheduling. The program encouraged private study and readings which were to be undertaken in advance of the visits to Cook Islands by the trainers to deliver their modules.

**Implementation: Course Activities and Achievements**

The diploma program involved an intensive 15 months of private studies and readings, a series of tutorials and linked modules, ending with a final assessment. The core modules were on policy; planning; service delivery; human resources; and finance, with each module focusing, in particular, on management issues. Each module is briefly described below.

The Public Sector Human Resource Management module highlighted organizational behavior theories and developments, and their implications for management in the public sector. Participants with a particular interest in human resource development management issues were encouraged to identify a human resource case from their area of work which the working groups could analyze as part of the learning process.
In the Public Sector Policy Management module, participants examined political and organizational decision making, and the skills and competencies required to manage the policy process. Through this, participants enhanced their skills in policy development, analysis, and evaluation. As one participant recollected, “the contents in this module assisted me in my tenure as a head of ministry in terms of working with the complexities of public service, community and private sector peculiarities.”

Many participants valued the Public Sector Financial Management component as it included clear lessons on their responsibilities in ensuring that their organization’s outputs would be within the limits of the resources available to them. As the course director noted, the module was aimed at participants examining the principles, practices, and techniques of financial management as they apply to the public sector.

In the Public Sector Planning Management module, participants examined the nature and dynamics of the political and public sector environments, with a focus on the public sector accountability framework and its implications for public sector planning and reporting.

The final Public Sector Service Delivery Management module provided the participants a chance to understand the relationships among all the modules in the course. For many participants, increasing their understanding of the importance and the need for forecasting and modeling, risk analysis, audit and evaluation, project management, benchmarking, and best practice techniques was highlighted. As one participant noted, “I didn’t know the importance of risk analysis, until we tied everything together in group work based on my work in my organization and it all began to make sense in terms of always having a contingency plan that had been costed to avoid overruns—an activity never undertaken in the old administration!”

A management learning contract was agreed on between the participant, the participant’s employer, and the program director.
This contract defined the roles and relationship of each party during the course.

Toward the end of the program, the participants completed a work-based project on their own organizations, but in an area where they did not have direct responsibility. Project topics ranged from restructuring a ministry to reorganizing outputs or working on departmental budgets. These projects were practical in nature and linked to the Economic Reform Program (ERP) participants’ hands-on knowledge of these processes given that the ERP was being implemented in various departments and ministries at the same time.

The first intake of the diploma program began on the 18 April 1997, with subsequent intakes following in August 1997 and February 1999.

It is important to underline, once again, that this capacity development program was staged against a broader backdrop of public sector restructuring. So participants were studying while at the same time being (re)trained on the job on those skills required to support the reforms. Some participants admitted that the diploma assisted them practically in closing a gap between how they had managed in the past, and the new requirements and expectations associated with the Economic Reform Program. As one police participant stated, “the course fortified my knowledge of management issues while at the same time providing a lifetime opportunity for my studies to be recognized and rewarded.”

For participants with full-time positions in government, the program was a major responsibility in terms of their commitment of time. Support from their immediate employers was crucial, allowing time off for tutorials, or to conduct research in the middle of reform operations and procedures—an important sacrifice heads of ministries accepted. From the public service commission’s perspective, this was the first professional development course mounted in-country, therefore expectations regarding pass rates, improved capacity, and work performance were high.

It was important that the criteria for entry into the program were followed. Applicants had to have at least 5 years managerial experience or a university degree. The heads of ministries were
to ensure that their nominations met these criteria. To encourage success, the first intake targeted heads of ministries, their deputies, and divisional heads. The second intake was broadened to include senior managers. The third intake, in line with government policies for devolving decision making to the outer islands, increased the number of outer island participants.

The commitment and support arrangements set up by the public service commission played an important part in ensuring timely inputs, effective and optimum use of teaching personnel on the ground, and open lines of communications for the delivery and return of assignments and course work materials.

Government’s own interest and commitment to this capacity development effort was also important in terms of providing local budget funding for activities in country.

To lock in participant commitment to the program and ensure a sense of ownership, a course administration fee of $500, which helped cover local expenses for the program, was levied on participants.

Government confidence in the course and the teaching personnel that would arrive was apparent, and the work outputs of participants on the course started to show.

**Monitoring and Evaluation**

The diploma program was monitored by both the public service commission (PSC) and the Institute of Economic Development (IED) coordinator through regular communication. In addition, both agencies filed annual reports to NZAID which tracked participant performance and completion of course assignments.

The annual reporting to NZAID provided early signals on progress (or otherwise) made by participants. Based on close monitoring of the class intake, the IED coordinator was able to work well with the PSC to follow up on specific concerns. Flexibility reigned and revisions were made, as appropriate.

Looking back, the emphasis on the monitoring and evaluation was more on the details of program implementation (e.g., completing the course of study) rather than its impact or changes.
in capacity brought about as a result of the program. This may reflect, in part, the urgency with which PSC requested assistance to NZAID, and the speed with which NZAID responded to the request. However, it may also reflect the challenge of measuring changes in capacity or the willingness to rely on that as a measure of “success.”
Lessons Learned and Reflections

The Public Sector: Pre- and Post-Reform

Before the Economic Reform Program, the Government employed about 60% of the Cook Islands paid workforce. In the outer islands, the proportion was about 75%. By July 1997, the number of positions in the public service had been cutback from 3,000 to 1,444 (a reduction in the public sector workforce of about 50%). Of this percentage, the outer islands lost the greatest proportion of jobs (61% in the Southern Cook Islands, 53.7% in the Northern Cook Islands). The 1,444 public servants who remained in the system were selected for their positions through a variety of restructuring and hiring processes. A common process adopted by most heads of ministries involved dissolving all positions in their agency before 1 July 1996, then rehiring based on applicants fitting the revised organization structure and individual job descriptions.

In the early days of the reformed public service, heads of ministries were surveyed on priority areas for support. They highlighted the need to address skills shortages in policy formulation and advice, computer skills, as well as accounting and financial skills. The mounting of the diploma course in-country served as a concrete commitment by government to increase capacity in these areas.

Post-reform reports indicate the public service restructuring resulted in higher morale and increased job satisfaction in government agencies with an increased will to perform public service at a higher level.

However, an ADB audit report of the Economic Reform Program (ERP) (2002) noted that several years on “reform fatigue” had
set in. It questioned whether the achievements pioneered by the ERP would be sustained, suggesting that further achievements following from the program would depend on political reform and commitment. In other words, a form of political complacency had settled in from a government which appeared to be ignoring unfinished ERP processes now that the economy was out of danger, and growing.

**Early Success, Stalled Momentum:** There is no doubt that the mounting of the diploma played a small but important part in upgrading the skills of 37 of 77 Cook Islands middle and senior public sector managers. The diploma graduates have noted that the program assisted them greatly in improving not only their work outputs but also their attitude and outlook toward serving the public.

At the same time, the above-mentioned ADB report underlines donor concerns that the successes of the Economic Reform Program (ERP), particularly in improving public sector performance in the earlier years, have now come undone. The report suggests that the diploma program was introduced in response to an immediate skills gap, rather than offering a comprehensive, long-term response to the capacity needs of the Government of the Cook Islands. This may have been a reason why the momentum, in terms of skills improvement, seemed to decline in some ministries after the ERP period.

**Maintaining the Momentum**

**Table 1. A Glimpse where Diploma Graduates are Today: Intake 1997, 1998, 1999**

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<tr>
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<th>1997</th>
<th>1998</th>
<th>1999</th>
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<tr>
<td>Advanced their position</td>
<td>8</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Gone overseas, retired, deceased</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Shifted to private sector, in equal or better positions</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>In same positions</td>
<td>7</td>
<td>12</td>
<td>15</td>
</tr>
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Table 1 shows that the momentum in favor of increased management capacity has been compromised in the latter part of the program, notably the 1999 class (intake 3).

Unfortunately, the pass rates experienced by the first two intakes were not maintained during the third intake. As shown in Table 1, the number of participants who advanced
their positions in government following participation in the program decreased over the course of the three intakes. This was particularly so for the 1999 class (intake 3).

A closer look at the first two intakes shows that all participants lived and worked in Rarotonga. In the third intake, at least seven participants (33%) resided and worked in the outer islands. The challenge of delivering the third intake to outer islanders meant that there were regular delays in workshops and an increase in missed deadlines for assignments. These problems could be attributed to various factors, including difficulties with airline schedules between the Northern and Southern Cook Islands, challenges to the public service commission in following up, as well as the host of duties and obligations that workers had to continue performing in their home islands.

As one graduate observed, “The third group failed because we tried to push the programme towards the outer island population, ignoring the fact that most of them were not in a position to undertake the intensive programme.”

At the same time, interest in sustaining the diploma course seemed to decrease as a result of personnel changes and shifts in the public service commission, the change in government after the 1999 elections, the instability that reigned at the time as coalitions formed and dissolved, and the steady recovery of the economy to positive growth levels which shifted national efforts and interests away from consolidating gains in the public sector to supporting private sector and economic growth.
Institutionalizing Training: Although the measures in Table 1 are crude, some conclusions can be drawn.

Maintaining momentum in such a capacity development intervention requires institutionalizing the foundations and processes for training. That there is an ongoing need in the country for better managers is clear. That the PSC may be the best agency to channel opportunities like this is not clear. Under the Economic Reform Program, the public service commission (PSC) became the performance auditor of heads of ministries. This function required matching ministry budgets and disbursements with actual outcomes. When the PSC was rightsized, the number of staff dropped from about 20 to 10. No longer responsible for the work output of 3,000 workers, the PSC focused attention on what really mattered: work outputs of heads of ministries.

Ten years on, and perhaps in response to the gap left by the disappearance of the diploma course, the University of the South Pacific (USP) campus in Rarotonga has mounted the first year of a 2-year in-country Masters in Business Administration (MBA) course. The PSC project proposal had envisaged that the diploma course back in 1997 would progress to providing Cook Islands managers (current and future) opportunities to earn such credentials while working and living at home.

A comprehensive human resource needs assessment report in 2002 identified many skill gaps; management was identified as one of the priority areas requiring attention. That USP picked this up in their work program is encouraging as this institution has the ability to maintain momentum in capacity development efforts that the PSC does not have anymore.

The Enabling Environment

Ten years on, there are mixed feelings about government capacity and performance. Ministries that have good heads (CEOs) show very positive service delivery outputs. However, several ministries have demonstrated disappointing performance levels and concern is growing among Cook Islanders that old public sector habits and practices, such as signing in log books and then going home, are creeping back in.

Would an ongoing capacity development program, such as the diploma course, have kept these old habits and practices at bay?
The answer lies in how much the enabling environment for public sector management has changed. The Public Service Commission (PSC) Act, which was passed in 1996, is an important piece of legislation that institutionalized what is now expected of the public service through the management contract the head of ministry has with his/her minister. This contract guides ministry operations, and provides checks and balances for the PSC, the ministry of finance, and the audit office. However, governments change and so do politicians. It is the Cabinet that appoints the head of a ministry after the PSC prepares a short list. So the enabling environment today is at the mercy of “responsible” cabinet members, and the experience over these years has been that ‘some’ heads of ministries continue to be appointed on political affiliation rather than merit. It is not surprising, therefore, that performance in those ministries where this has occurred has dropped.

So if we take this type of “political interference” as a given negative, the question is, what can be developed to work around or with it? As one commentator noted, “A bad egg can always be smelt”, and if media hounding and publicity is constant, then perhaps the politician behind the head can enjoy only a short term in government. An important point to be made here is that the public in Cook Islands is now less threatened about making waves with respect to mismanagement or corruption, as their confidence and capacity to demand better of their Government has increased.

So the answer is—no, an ongoing capacity development intervention alone, particularly one which just focused on skills and competencies of public servants, would not have kept this phenomenon at bay.

**A Question of Timing**

The lesson learned here is that it is often easier to make serious adjustments, including seizing initiatives to increase capacity, during periods of crisis.

The diploma program aimed to provide middle and senior managers in the public sector an opportunity to achieve qualifications and improve their management skills. It was not explicitly stated that there was a long-term objective to
institutionalize any program or mechanism to support upgrading of the public sector on an ongoing basis. For this reason, the capacity development intervention could be seen as a creature of its time which benefited the government of the day, but arguably fell short in dealing with the challenge of realizing sustainable changes in the government system.

Looking back though, in the short time the program was staged, it did have a direct and discernible impact on public sector performance in terms of the level of professionalism being practiced by the graduates. Feedback from them indicates that the program did improve their understanding of the skills required in the Cook Islands’ reformed public sector, and their role as change managers in supporting those reforms.

In interviews, participants recommended that Government continue to support efforts to improve the capacity of senior managers in both the private and public sectors. And as noted above, the University of the South Pacific is now mounting a Master of Business Administration (MBA) program that will address this recommendation of the participants.

Effective follow-through of capacity development interventions, clear lines of communication, and commitment by the public service commission (PSC) in the first 2 years of the program was important. Shortcomings of the PSC, in relation to this initiative, can be attributed to timing, among other factors. As the reform process set in, key PSC personnel changed, the agency identity also changed as it assumed the roles expected by new legislation linked to the broader reforms. As one respondent noted regarding the PSC’s handling of the diploma program during this period: “the PSC failed in its role of performance management, rather than continually striving for excellence we (began to) accept mediocrity as the norm.”

As an organization, the PSC has, in recent times, had its share of booms and slumps in performance, because of political patronage and an inability to see the importance of constantly revisiting training needs in the senior to middle management levels of the public service.

In spite of this, the capacity interventions offered through the diploma program provided an opportunity to establish a sense
of camaraderie among senior managers leading to enhanced informal interaction with certain, albeit hard to measure, gains in collaboration and professionalism and a stronger public service ethos.

Within government ministries and agencies, participants who completed the diploma course internalized and practiced new management principles and standards, whether they remained in the service, moved into private employment, or set up their own business. Capacity benefits thus extended well beyond government.

**Planting on Rocky Ground**

It is acknowledged that the capacity development intervention benefited from the circumstances which prevailed at that time. A lesson which follows though is never to expect sustainability when the seeds fall on “rocky ground.” As the Bible story advises, the seed that falls on rocky ground will not grow properly. The Economic Reform Program period was a time of rapid change in management structures and practices that were necessary if the country was to get back on its own two feet.

Unrestrained growth in the public service was one of the two main reasons for the financial crisis faced by the Cook Islands in the 1990s. The 2002 ADB Economic Report noted that “even allowing for economies of scale to reflect small and scattered populations throughout the islands, there was no avoiding the fact that the public service was massively overstaffed and more importantly, was operating on the basis of political patronage.”

The Economic Reform Program, and to a lesser extent the diploma program, provided an opportunity to adjust the numbers employed in the public service, and in the process lower the overall cost of Cook Islands’ public administration.

However, the atmosphere then was not smooth sailing, as the politicians (both opposition and governing) used this period to score political points rather than work together to cushion the effects of displaced public servants and job losses linked to the restructuring of ministries.
Unspected Outcomes of the Wider Economic Reform Program

Like all reform programs, the intent should be to optimize the gains, cushion the adverse effects, and ensure that improvements are sustained.

In pre-reform times, migration rates averaged 2% annually, but during periods of economic downturn and economic opportunities offshore, this rate tends to fluctuate upwards. In 1974, for example, when the international airport opened on the main island of Rarotonga, an exodus of over 5,000 people was recorded over the next 5 years. The next major exodus was a result of the economic downturn in 1995/96, when over 1,000 people left. Since then, the rate of migration has stabilized at 3% annually.

The majority of Cook Islanders who left during the economic slump were either the young people who were not successful in securing employment in the reformed public service and were seeking employment opportunities offshore, or the less effective public servants who decided it would be better to seize the opportunity to go to New Zealand to pursue employment opportunities there.

Private Sector Picking Up the Slack

Increasing the role of the private sector was a broader objective of the Economic Reform Program. However, the economy’s rebound from 1998 to 2000 was not anticipated by the reform strategists. In fact, it was expected that it would take at least 3 to 4 years before strategies to enhance economic growth would take off. Instead, the private sector rose to the challenges and opportunities offered by public sector reforms rather more rapidly than expected.

The Government’s decision to withdraw from functions better left to the private sector instilled confidence. The turnaround in growth could also be attributed to the support provided by the private sector for the reforms, including assisting in the design, formulation, and implementation of the revised tax regime (which saw a 12.5% value added tax being levied on all sales in country).
In addition, Government’s commitment to supporting the tourism industry (a mainstay of the national economy) through funding for marketing schemes provided the tourism board, which was made up mainly of private sector individuals, the opportunity and flexibility to develop activities and strategies to fill airline seats heading into the country.

Efficiency gains made in the private sector included upgrading the skills of employees to deliver services more efficiently. This was made possible, in part, by drawing in displaced government employees who had skills relevant to the private sector (e.g., customs officers laid off through the retrenchment program were able to become clearing and purchasing officers in the private sector).

**Challenges Ahead and a Few Final Thoughts**

Among the challenges in the public sector reforms outlined in this case were those relating to working in small island communities where managers and leaders regularly juggle public sector responsibilities with those relating to their positions in the community (sports, church, schools, youth, women’s groups etc.).

Given these multiple commitments and workload issues, a handful of students enrolled in the diploma program could not complete their assignments as per expectations. Some of these people were key players in the Economic Reform Program (ERP), which was also being implemented at the time. However, the fact that they did not graduate is not seen as a failure but rather a consequence of the times, and an indication of their commitment to urgent matters of state.

Looking back at Cook Islands’ experience with the ERP and associated public service reforms provides an opportunity to reflect on what worked, what didn’t, and why, and what difference any of this made to the capacity of the Cook Islands to address its social and economic development priorities. Some of these lessons may have resonance with other Pacific Island countries seeking to improve the quality of their public service and advance their socioeconomic growth.
One lesson, in the words of one of the outstanding diploma program graduates, is as follows:

“Don’t wait until a crisis occurs before actions are taken. I believe it took the financial and reform crisis to trigger serious awareness of the need for immediate capacity building. I believe that right at this moment, there is a need for continuous capacity building and strengthening in the public sector. Many top and middle level managers in Government are lacking the necessary level of skills in the areas of public finance and policy development, let alone interpreting Government policies and effecting it at the Ministry level.”

These observations touch on an important dimension of capacity development (i.e., how to sustain improvements in the skills and performance of key personnel in a government setting). Among other things, this case suggests that successful capacity development requires active collaboration among institutional partners (e.g., central agencies, line ministries, training institutes, and decentralized governments). The case also demonstrates that training, by itself, is not enough, particularly in the absence of an enabling environment, consistent leadership and incentives (formal and informal), to sustain change processes.

In conclusion, this case tells us that the Cook Islands, or other countries seeking to address similar challenges, would do well to consider a range of strategies when dealing with capacity issues facing them. Investing in the development or strengthening of human capital is often the first impulse, but thinking through and acting on the requirements of the broader capacity system—such as policies, collaborative mechanisms, organizational capacity, enhanced accountability—are among the strategies to consider if the objective is not only to improve but also to sustain changes in performance over the long term.
Revamping the Cook Islands Public Sector

A 2001 report by AusAID and the New Zealand Ministry for Foreign Affairs and Trade marked the beginning of efforts by both Governments to increase their emphasis on aid harmonization in the Pacific. This was followed by a decision to pilot a cofunded program in Cook Islands which is the subject of this case study. The case is presented through the eyes of Garth Henderson, the senior Cook Islands official responsible for aid management. It describes how the Cook Islands government, through the aid harmonization process, and under Henderson’s leadership, enhanced its capacity for aid management while strengthening national ownership and forging a shared sense of direction by all stakeholders.

This sub-series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some of the opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues and effective use of external resources. It is our hope that the findings in these reports will help to guide future capacity building efforts in the Pacific.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two thirds of the world’s poor. Nearly 1.7 billion people in the region live on $2 or less a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2007, it approved $10.1 billion of loans, $673 million of grant projects, and technical assistance amounting to $243 million.