

Cook Islands Audit Office

Special Review Report:

**Review of Management Functions,
Operational Outputs and Systems at the
Ministry of Works**



PARLIAMENT OF THE COOK ISLANDS

PARLIAMENT PAPER NO.88

Hon. Mapu Taia O.B.E
Speaker of Parliament
Parliament of the Cook Islands
Nikao, Rarotonga
Cook Islands

Sir,

I have the honour to present the Special Review Report of the Review of Management Functions, Operational Outputs and Systems at the Ministry of Works.

Hon. Sir Dr Terepai Maoate, KBE
Deputy Prime Minister
Minister Responsible for the
Office of Public Expenditure Review Committee and Audit.

COOK ISLANDS



GOVERNMENT

COOK ISLANDS AUDIT OFFICE

P.O. Box 659
Avarua, Rarotonga
Cook Islands

Phone: (682) 21-231

Fax: (682) 25-231

Email: perca@auditoffice.gov.ck
<http://www.auditoffice.gov.ck/>



30 May 2008

Hon. Sir Dr Terepai Maoate, KBE
Deputy Prime Minister
Minister Responsible for the
Office of Public Expenditure Review Committee and Audit

Honourable Deputy Prime Minister,

Pursuant to Section 33 of the Public Expenditure Review Committee and Audit Act 1995-96, I have the honour to present the Special Review Report of the Review of Management Functions, Operational Outputs and Systems at the Ministry of Works.

Following its delivery and presentation to Parliament, the report will be placed on the Cook Islands Audit Office's website (<http://www.auditoffice.gov.ck/>).

Paul R.S. Allsworth
Director of Audit

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

EXECUTIVE SUMMARY

Introduction:

This special review was undertaken to establish whether or not the management functions, operational outputs and overall systems within the Ministry of Works was operating efficiently, economically and effectively. This review was largely brought about from concerns by various stakeholders, both within the Government and the private sector. The Director of Audit, initially discussed the matter of the review with the Public Service Commissioner, and later with the Financial Secretary, where funding for the review under POBOC was approved by Parliament. The Minister of Finance and Deputy Prime Minister, Hon. Sir Terepai Maoate was briefed and supported the review.

The Ministry of Works manages more than \$3.7 million of public funds annually employing 55 staff. These are grouped under 7 outputs:

1. Policy and Central Administration
2. Survey and Land Information
3. Urban and Rural Planning
4. Building Control
5. Road Works
6. Water Works
7. Waste Management

This review identifies areas of concern, weaknesses and internal control deficiencies that require immediate attention. It is critically important, that due to large annual appropriations to Works, that initiatives' to restructure and decentralise key output functions be implemented.

The Review:

The management and performance review of the Ministry of Works has provided Audit with the opportunity to review the management setup and the performance of the Ministry. Concerns have been raised by agencies such as MFEM regarding the performance of Works and the lack of direction, vision, and progress in infrastructure projects and initiatives. Issues of management weakness, poor decision making and poor planning and financial mismanagement were raised in our financial and special review audits of the Ministry of Works. This review acknowledges that the current HOM is not totally responsible for the areas of concern at the Ministry of Works. Since the reform program, there has been a combination of reasons which has led to this unsatisfactory situation.

What we did?

We reviewed the Ministry's core functions, financial and operational systems and key output activities. We reviewed Ministry financial records, project documentations, a range of ministry reports and financial audit and special review reports conducted by Audit. A key stakeholders list was created and people on the list were interviewed that had direct influence or interaction with the Ministry. We also reviewed a range of reports and articles to give us insight into topics such as change management, sector based approach, outcomes and outputs framework. We also reviewed reports furnished specifically for the infrastructure sector and also the NSDP, a report on the national goals and objectives of the country.

Why we did it?

The reason for this approach is to give us a good insight on what the issues are and also to identify solutions to improve the situation at Works. There was a need for change and reform at the Ministry to allow Government to provide a framework for infrastructure development and provide services that is value for money.

Major Audit Findings

This review has found that the problems at Works are divided into two areas. The operational problems at Works are due to management weaknesses, poor internal controls, poor decision making, and lack of expertise in policy, systems and administration. This has caused problems in areas of project planning, design and management, and has also contributed to poor state of the infrastructure and services like water, roads, and waste management. The problem at Works has also been stimulated by a lack of policy direction, lack of vision and lack of leadership at the national level. Political influences have compromised the planning and operational processes. The systems within Government have also failed Works. Performance reviews were inadequately conducted and the budgeting framework has not provided the necessary funding and support to allow Works to achieve realistic outcomes.

Recommendations:

The following recommendations are addressed to Prime Minister, Deputy Prime Minister and Ministers of Cabinet, the Secretary of Works, Financial Secretary, Public Service Commissioner and sector agencies involved. Set out below are Audit's five key recommendations aimed at improving the overall management and performance of the Ministry of Works and the Infrastructure Sector as a whole. There are more recommendations in Section 8 of the report. Section 7 of the report titled "What is the Best Way Forward" provides further details about all of the recommendations.

Change Management

8.1.1 Recommendation No.1

Restructure the Ministry of Works

The Ministry needs to be restructured to allow for changes in management, systems, process and policies to take place. We recommend that Works and the Infrastructure sector focus on regulatory functions and responsibilities while service delivery functions attached to roads, water, and waste management need to be commercialised and with some divisions being privatised. In preparation for a regulatory role, the ministry and the infrastructure sector needs to build human resource capacity to support their new role and deliver services efficiently.

8.1.2 Recommendation No.2

Implement a Change Management Program

The restructuring of the Ministry of Works and the infrastructure sector needs to be properly managed, structured and consistent. To ensure that this happens, a change management program needs to be implemented. This program will need to define what the purpose is for the restructuring and it would need to highlight objectives and responsibilities, resources needed, and appropriate timeframes for objectives and tasks. The change management process will provide the outline for changes at the ministry and sector level in preparation for a planning and regulatory role.

8.1.3 Recommendation No.3

Merge Sector Agencies into One Ministry

The Ministry of Works needs to be merged with other sector agencies such as Environment, OMIA and the project development unit within AMD. Part of this process would require the defining of policy parameters at the sector and national level, the coordination of planning and projects within the sector and the management of information, resources, and cost. The proposed new sector ministry is to be called the Ministry of Land and Infrastructure Management.

8.1.4 Recommendation No.4

Privatise Service Delivery Functions

The Ministry of Works along with the infrastructure sector agencies need to identify service delivery functions that can be privatised. To support the privatisation movement, specific technical standards and requirements need to be implemented and attached to service arrangements. Service contracts need to specify standards and will need to outline penalties if standards are met.

8.1.5 Recommendation No.5

Merge Works with Cook Islands Investment Corporation

Another solution for Works would be the amalgamation of its functions and responsibilities under CIIC. CIIC's legislation is encompassing and it includes infrastructure development. Its management structure is more stable with the inclusion of a board. The presence of a Board will lead to more detailed oversight and monitoring of plans and budgets against actual performance. CIIC's expertise in privatisation is another advantage. Management at CIIC however commented that the amalgamation of Works into CIIC will only be supported if adequate resources and support is provided by Government.

Institutional Strengthening

8.1.6 Recommendation No.6

Engage in Institutional Strengthening

The Ministry of Works needs to strengthen its management and performance capacity, policies and legislation, systems and administration processes, monitoring and enforcement capacity and human resource capacity to support the change management process and also to deliver regulatory services efficiently and within the prescribed standards and requirements.

8.1.7 Recommendation No.7

Define Roles and Responsibilities

Works and the sector agencies need to clearly define roles and responsibilities in preparation for planning, implementation and monitoring at the sector level. The role of the infrastructure sector agencies, the private sector, the community and island councils needs to be defined as regulatory and service delivery functions and responsibilities are identified and implemented. A proposed new management structure is recommended to allow sector agencies to merge under one infrastructure sector ministry.

8.1.8 Recommendation No.8Review Policies and Legislation

The Ministry of Works and the infrastructure sector needs to review all policies and legislation to ensure that it is adequate to support the sector's functions and responsibilities. A policy for water, roads and waste management needs to be developed and legislation needs to be strengthened to support regulatory functions and processes. Operational policies and procedures are needed to strengthen administration systems and processes.

8.1.9 Recommendation No.9Improve the Consistency of Policy and Planning

The linking of sector policies and priorities to national policies and priorities is needed to improve the planning and policy development process. This would ensure that infrastructure development adds value to economic development initiatives. This also allows planning and implementation of the change management process to be phased over time. Approaching the change management process this way would allow tasks and objectives to be carried out and reviewed accordingly.

8.1.10 Recommendation No.10Strengthen Regulatory Functions

The Ministry of Works and the infrastructure sector needs to focus on regulatory responsibilities. With the privatisation of service delivery functions, the sector will need to concentrate on monitoring and enforcing policies, legislation, technical standards and requirements. Monitoring and enforcement needs to be consistent to ensure that service delivery and quality is maintained.

Finance and Development**8.1.11 Recommendation No.11**Improve the Budgeting Framework

To ensure the success of this change management process is achieved, Government needs to be fully committed to this whole process. Changing the budgeting framework from outputs to outcomes is needed to provide the necessary direction required to achieve outcomes outlined in the NSDP. A move to medium term budgeting is a step in the right direction and this will provide the necessary support and resources for sector based planning and implementation.

8.1.12 Recommendation No.12Review Infrastructure Funding Arrangements

The infrastructure sector needs to review how they are going to fund and provide continuous support for infrastructure development. Income generating methods like user pays and taxation needs to be reviewed to ensure that infrastructure initiatives are implemented and sustained over time. Projects implemented on a cost recovery basis are preferred by donor partners when funding development initiatives.

8.1.13 Recommendation No.13Review Options for Regional Development

The infrastructure sector needs to explore options for regionalising their development programs. This would require the identifying of priority islands or areas where infrastructure initiatives will add

value to development in that particular region and will provide a base for further development. This initiative would help coordinate development efforts and it also empower the regions to plan and implement their own development priorities and negotiate directly with other agencies and countries as required.

8.1.14 Recommendation No.14

Implement Twinning Program

The Ministry of Works and the infrastructure sector needs to arrange for an assistance program with donor partners whereby specialist technical expertise are brought in to implement new systems and processes and conduct training. Expertise in infrastructure management and development from countries like New Zealand should be sourced to assist the sector when introducing new systems and processes.

Operational and Personnel Development

8.1.15 Recommendation No.15

Improve Operational Systems and Processes

The Ministry of Works and the infrastructure sector needs to improve operational systems and processes to minimise duplication of work. Similar functions and responsibilities within the sector need to be identified and streamlined to improve data processing. Internal controls need to be strengthened to allow information to be processed and recorded appropriately. This also ensures that data collection, processing and reporting is improved which adds value to the planning process.

8.1.16 Recommendation No.16

Review Performance Systems

The Ministry of Works and the infrastructure sector needs to review performance systems to ensure that proper monitoring of performance is conducted. Purchase agreements between the Management and the Minister are needed to ensure that services purchased are actually delivered. Performance agreements are also needed to monitor the performance of management to ensure that they deliver according to the purchase agreement.

8.1.17 Recommendation No.17

Improve Human Resource Development

The Ministry of Works and the infrastructure sector needs to improve the management of human resources. Capable human resources are critical to the success of the infrastructure sector. Initiatives like succession planning and training allow the sector to strengthen its human resource capability to ensure that quality service is delivered and maintained throughout the sector. This also allows for improvement in planning and decision making.

Conclusion

In conclusion, given our major audit findings and recommendations, there needs to be appropriate changes at the Ministry of Works and also at the infrastructure sector level. It would be appropriate to assemble a **Task Force** or **Working Committee** to oversee the strategic implementation of “the way forward” from this report. Given the critical situation of our overall infrastructure needs, it is imperative that their tasks and initiatives be carried out within the next 12 to 24 months.

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1.0 Introduction

During the last forty years, the Ministry of Works (MOW) has grown and changed – acquiring some functions and devolving others. Change has also occurred around it. The Ministry along with the overall public service experienced dramatic changes during the 1996 reforms and in turn, it has affected Works and how it operates. As well, technology, development, and changing public demands are altering the nature and mix of the issues to which the Ministry needs to respond.

This raft of changes makes it timely to examine and review the Ministry and its management, policy and operational environment, with the aim of clarifying its role in a modern economy, and so enable it to respond to Government and public needs now and into the future. A Review Team was assembled – drawing its members from inside the Audit Office – to carry out this task. This Report is the result of Audit’s deliberations.

The Report examines the current status of the Ministry and the critical issues involved and identifies the key strategic issues that may influence or have an impact on the outcomes the Ministry wants to achieve over the next 5 to 10 years. The Report also considers the implications of these issues for the things the Ministry does now and needs to keep doing, including the organisational capabilities the Ministry will need in order to achieve its outcomes in the future.

The review considers it important that the status of the Ministry be examined and articulated. This is so there is a clear and shared understanding of the Ministry’s origins and the ideas that have underpinned its evolution over the past forty years – and also a shared vision of where it is going in the future. The review confirms that the Ministry needs to be restructured to allow for an alignment in policy, priorities and resources.

The review has highlighted developments the Ministry would need to undertake to strengthen its current work and prepare to meet the challenges of the future. Some examples are that the Ministry should: be able to monitor and enforce authoritatively on infrastructure and development initiatives by developing and increasing its understanding of policy, sector planning, public demands, and the environment; put in place robust systems and processes to audit the effectiveness of its interventions; and ensure that their activities are consistent to the goals and objectives in their business plans, and the national priorities highlighted in the NSDP. These developments are the subject of the report’s recommendations.

2.0 Key Findings

This section identifies the review’s major findings regarding the strategic direction of the Ministry of Works, what this means for its role, and what it needs to focus on to achieve this role.

Perhaps the most critical question the review asked is “*What is the best way forward for the Ministry?*” Put another way, what outcome should the Ministry be working towards? The review has concluded that the MOW should be seeking to create an environment in which the Ministry provides efficient services and the public is confident in the service that is provided. What does this mean?

Ultimately, when Government or the public purchase or request a service from the Ministry, their reasonable expectations of the service provided will be met and, if not, they will have access to effective redress. Government and the public may have a variety of expectations, around issues such as planning, quality, performance, service delivery, and cost. So for example, when the Government plans for a new

development, they are likely to expect that it will progress as expected. Similarly, the general public are likely to expect that the service provided by the Ministry is efficient and serves a purpose.

A regulatory framework for planning, policy development and service delivery along with monitoring and enforcement at the sector level is required to ensure this expectation is met. Discussions at the sector level will allow the stakeholders within the infrastructure sector to interact and share resources, plan and develop new initiatives and set applicable requirements. The private sector would be expected to deliver or provide the service according to the set requirements and conditions. Penalties will have to be imposed if quality and service requirements are not met.

Before outcomes are realised, it is important to understand *the status of the Ministry* and how its setup has contributed to its overall performance. The Ministry was established with a traditional mindset that it would provide the majority of Government's service needs for infrastructure. As Government evolved over time, there was a lesser emphasis on a traditional Public Works system. As successive Governments pursued other development interests, they also shifted their priority from Works and the need to upgrade its services to cater for infrastructure demands. The Ministry has tried to build capacity in areas such as policy and planning while still trying to deliver core services but with limited resources and the deteriorating state of infrastructure, the Ministry simply couldn't keep up.

So what is the primary reason why Government and the general public don't get what they expect from the service provided by MOW? Having reviewed a number of critical issues at the Ministry, the review has concluded that inefficient management and systems, poor and non-integrated planning and shifts in priorities are the major reasons for the gap between what Government and the general public expect and what they get from the service provided by MOW. The Ministry also received limited financial support from Government and Management were not given any policy direction to operate a more efficient Works and to improve the condition of infrastructure throughout the country.

The causes of these inefficiencies and priority changes are varied. The Ministry lack the management capacity to stimulate the development of new initiatives and to implement appropriate systems and processes to enhance and support these new initiatives. For example, the systems and processes within the Ministry are not integrated which would allow information to be accessed and utilised for planning, accounting and reporting purposes. The planning and implementation of new initiatives are not conducted at the sector level. The political influences also continue to undermine the planning, decision making and service delivery functions at the Ministry.

So is there a link between infrastructure and economic development, and if so, what is it? The review has concluded that creating an environment in which a Government agency, external funding agencies and the public supply, request or utilise a service in confidence is critical to a thriving economy. The public have a vital role to play in the development of dynamic and competitive markets through their purchasing decisions. They satisfy their own needs as individuals. Their collective decisions also help ensure competition amongst service providers. The public who use the service provided by MOW to make sophisticated choices and demand quality service will stimulate providers of goods and services to innovate as a means of improving their quality and efficiency.

As public demands, products and services, and ways of doing business change so do the challenges facing Government on development initiatives. The review has identified a number of key challenges for Government in the next 5-10 years. These include:

- the demand on infrastructure

- the shift to a sector planning and outcomes framework
- the commitment to prioritise and support development initiatives
- the management capacity within the public sector
- the demand from the private sector to grow

Given the wide range of issues that the Ministry of Works is involved in, the review has identified some recommendations to help determine where the Ministry should put its effort. Essentially the message behind the recommendations is the need to focus the Ministry's effort on monitoring and enforcement along with approaching their planning and development initiatives at a sector level.

So what is the role of a Ministry of Works in a modern economy? The review has concluded that the Ministry's primary role is to create an environment where planning and policy development is conducted at the sector level and in conjunction with other sector agencies and Ministries. The Ministry should also build capacity for monitoring and enforcement to ensure that standards such as safety and quality are adhered to by the service providers. The private sector would then be expected to deliver the services according to strict and enforced requirements set by the Ministry so that the public can receive the required service with confidence.

So what needs to happen? The review concluded that the Ministry needs to be restructured to allow for changes in management, policy, systems, and responsibilities. The restructure would enable the service delivery functions at the Ministry to be devolved to the private sector. The Ministry would also need to strengthen its capacity to monitor and enforce policy and legislation. Efficient management and technical systems are critical to this transformation. Management and personnel are required to adhere to new and appropriate purchase and performance agreements to ensure that adequate performance is rendered and quality service is provided. Effective policies also need to be produced to enable the Ministry and other support agencies to perform efficiently and within the required standard.

However, there are a number of issues that the Ministry must address to ensure:

- that the public, Government and the private sector know what changes to expect
- that the other sector agencies understand what initiatives to plan for
- that the service providers understand and meet their policy and legislation obligations
- the public/service provider environment contributes to a sustainable increase in economic growth
- public resources are being used wisely and efficiently, for maximum community benefit

Particularly, in order to deliver on this role into the future, the review has concluded that the Ministry of Works needs to:

- Strengthen its policy and management capability
- Ensure that policies and initiatives are informed by an in-depth understanding of Government, public and service provider experiences, requirements and standards
- Strengthen the links between policy, planning and implementation, particularly those between the central, sector, and the implementation agencies and the private sector
- Better utilise and extend its networks with the public, businesses and industry experts
- Improve access to internal and external data, information and reports
- Enhance its research and technical capability
- Enhance its ability to monitor and evaluate the quality and delivery of service

- Build better links with other sector agencies in order to gain leverage from the wider organisation and ensure that the Government and public perspective is taken into account
- Examine the impact of changes in demographics, and evolving public/service provider characteristics and needs, on the ongoing effectiveness of the Ministry's planning, policy and implementation strategies
- Adopt a sector based approach to the identification, development and maintenance of key stakeholder relationships and have greater input into the discussions with other agencies like Environment and OMIA on planning, monitoring and enforcement.

Audit is of the view that if the issues and recommendations discussed in this report are addressed then the Ministry will evolve into a relevant and dynamic organisation in the foreseeable future.

3.0 Background to the Review and Outline of This Report

The Review was initiated in November 2007 at the request of the Director of Audit, Paul Allsworth. A full review of the Ministry's role and functions has not been undertaken since the 1996 reforms, although there have been a number of changes to the Ministry's roles and functions during that time.

Over the years, the Audit Office has highlighted a number of concerns over the operations and management of the Ministry of Works. These have been identified through our financial audit of the Ministry's financial statements for the financial year ended 30 June 2005. These concerns relate to the recording of revenue by the road division, management of stock, water works division and waste management operations.

A special review was also conducted in 2007 regarding the Water Works capital expenditure incurred for projects. This raised some concerns regarding the weakness in systems and internal controls at the Ministry. There was also a concern regarding the decision making, tendering and sourcing of supplies for projects. With these concerns in place, a comprehensive management and performance review was inevitable. It is our view that the purpose and direction of the Ministry needed to be defined for the next 5 to 10 years.

The Cook Islands Government in partnership with donor partners, the private sector and a variety of stakeholders has developed a vision for the year 2020 that includes the "pathway that sets out a 15 year visionary framework" and being the key link between the Government, the business community, and the general public. The Review is intended to allow the Ministry to focus on how it should respond to new challenges and opportunities, and to consider further the role of Government in achieving MOW's objective of supporting the development needs of the people of the Cook Islands.

3.1 The Review

The Review will focus on the strategic direction of the Ministry over the next 5-10 years, within the context of the Government's overall strategic direction and goals, and what this means for the role, purpose and scope of the Ministry of Works. This will include an assessment of:

- the key objectives for the Ministry of Works in a changing economy
- the relationship between the public, Government, and the private sector
- the relationship between quality infrastructure and services and sustainable economic development
- the key strategic issues confronting Government and the Ministry over the next 5-10 years

- key changes in nature of the social, economic, and environment since the inception of the Ministry and over the next 5-10 years
- key changes and potential future trends for the Government, public and the private sector and their needs
- key interfaces with other “sector related” agencies.

The outcome of the review will be a report analysing and making recommendations on the implications of these factors for the role of the Ministry of Works and, should this prove necessary, the policy and institutional framework within which it operates. The Review Team understood from the Audit Objectives that it was being asked to develop a high-level strategic direction for the Ministry that would allow the Ministry to position itself effectively into the future. In responding to this task, the Review Team considered that there were three questions that it needed to answer:

1. What is the Status of the Ministry?

2. What are the Critical Issues?

3. What is the Best Way Forward for the Ministry?

The answers to these questions would provide the necessary information and conceptual framework for putting together the Ministry’s strategic direction, and so this Report is structured along these lines.

3.2 Audit Objectives & Coverage

The primary objective of this review is to undertake a full review of the performance and operations of the Ministry of Works (MOW). In doing so, we examined the following aspects of MOW:

- a. The MOW outputs and ascertain as to whether MOW achieved these outputs within their appropriation approved by Parliament.
- b. The MOW’s mission, policies and procedures and how these are reflected and linked to their operations and performance.
- c. The delivery of goods and services to the public – how efficient, effective and economical are they?
- d. MOW’s systems and processes and how information is disseminated and used among the divisions.
- e. The MOW’s annual work programs and how is this linked to the overall mission of the organisation and the national infrastructure plan.
- f. Is the current structure of MOW appropriate to serve the needs of the public; can it be changed to perform more efficiently and effectively at less cost to the taxpayer?
- g. Are the relationships and reporting channels internally in MOW and externally with the Outer Islands and Government departments in Rarotonga, functioning effectively. If not, what improvements are needed?
- h. Are there clear guidelines given to MOW regarding its role and responsibilities and is it meeting the performance standards required by Government.
- i. Are the resources of MOW being efficiently utilised, are there surplus resources that can be used elsewhere and are there control mechanisms for identifying inefficiencies
- j. Are the performance and deliverable standards set by Government being met by MOW?
- k. The reporting and communication process by MOW to the Minister, Government and the public.
- l. How information is received from external sources, distributed and used within MOW.
- m. To identify any areas vulnerable to misuse of public resources.

3.3 Audit Scope

The scope of this review falls between the July 2003 and December 2007 period however, Audit has found reviews and reports that fall out of this time period and the issues highlighted are very much appropriate for this review. Audit also recognised that events may have taken place outside the period indicated above.

Audit also increased the scope of the review to more of a management and performance review of the whole of the Ministry of Works. Audit also engaged the viewpoints of a variety of organisations and individuals to get opinions on the historical setup and purpose of the Ministry. Audit has identified that the issues are not just limited to finances but to the overall management, policy and systems of the organisation.

3.4 Structure of the Report

What is the Status of the Ministry?

For this review, the current status of the Ministry needed to be identified. The review examined the setup and the core functions at the Ministry along with the responsibilities involved. The review also looked at the policy and planning initiatives at the Ministry and how these have equated into projects. The Ministry's relationship with other sector agencies, the public and the private sector was also examined as part of the review.

It was important to also explore and understand the historical setup and purpose of the Ministry and how that has shaped the perception and expectations of the people. The performance and the quality of the service provided by the Ministry has been a concern for Government for a number of years. The state of the country's infrastructure is another concern that Government has come to realise. The review needed to identify why the performance and the quality of the service at the Ministry suffered and what contributed to this failure.

The review also scrutinised reports conducted on the condition of infrastructure. The review refers to various reports like "Rarotonga Apopo" and the "Infrastructure Master Plan" and they identify major concerns with the condition of the infrastructure and the pressure put on the environment. Because infrastructure has been a major responsibility for the Ministry of Works, it was important to understand why the condition of the infrastructure deteriorated over time and what measures have been put in place to address this issue.

What are the Critical Issues?

The critical issues needed to be identified and articulated before the Ministry can move forward. The critical issues reflect the weakness in the setup at the Ministry, the management capability and the setup of systems and processes. The review looked at the Management setup at Works to see if appropriate policies, systems and processes are in place. The review team believes that the status and the issues identified at the Ministry may be influenced by the lack of management capability along changes in Government priority.

The report identifies weaknesses in management and decision making which equates to a weakness in policy, systems, and processes. The weakness in management has had a negative influence on areas such as planning, policy development and service delivery. The consequence of a weakness in management

and systems is the formation of conflict of interest situations. The report highlights concerns in this area and the role of management in overlooking this issue.

Politics also play a significant role in the decision making process at the Ministry. The report highlights how politics has influenced development priorities and service delivery at the Ministry. Because of the influence of politics, the decision making process at the Ministry is undermined and the priorities and resources are shifted to accommodate unplanned and in most cases, unbudgeted initiatives.

Unfortunately, politics also influences the response to new and emerging trends. The demand for quality infrastructure is a priority that cannot be overlooked because it is critical for economic development. Successive Governments have labelled attempts in infrastructure development as economic development but the reality is, the condition of the infrastructure today is a reflection on the approach Government has taken over the years and that is the quick fix or band aid approach.

What is the Best Way Forward for the Ministry?

The most important question that was asked during this review was to do with the “best way forward” for the Ministry. Once the Ministry’s outcomes and issues are clearly defined, this will determine what activities (or outputs) the Ministry should undertake in pursuit of those outcomes or to address the issues. The review would examine and develop in some detail the key initiatives and strategic approaches the Ministry needs to consider in deciding what initiatives it should take up as priorities.

The general principle supported by the Audit is that the Ministry needs to focus on those activities that enable it to best achieve its outcomes. This implies a concentrated focus on the issues and initiatives at the Ministry that are most likely to have a significant effect on what they need to achieve – that is, in what areas can the Ministry make the most impact?

This Report does not propose specific activities that should be undertaken by the Ministry, recognising that Audit’s purpose is not to undertake detailed strategic and business planning. This is a task for the Ministry and other sector agencies as part of its policy formulation and planning processes.

The Report identifies and broadly considers the possible implications of key strategic or emerging trends that are likely to have an impact or add value to the Ministry’s outcomes. The intention is to draw these high-level solutions or issues to the attention of those in Government who will be developing policies and priorities each year, to ensure that the implications of these issues are considered fully and applicable solutions are integrated into the Ministry’s core activities and planning process.

Audit acknowledges that it is identifying issues and implications at a particular point in time. The reality is that the external environment continues to evolve, new issues do arise and implications are clarified as needs develop. To be effective, the Ministry needs to commit itself to an ongoing process of identifying important issues and their implications on a continuing basis. It then needs to respond by adjusting its strategy, if necessary.

The Report identifies that the sector based approach would need to be adopted to ensure that policy development and planning take place at the sector level. The budgeting framework would also need to recognise and support sector initiatives and fund priorities accordingly. A move to outcomes budgeting framework would allow the Ministry and sector agencies to determine what to achieve and what outputs are required. This approach would also draw upon basic elements of the policy-development process, and link back to the outcomes as the focal point for the sector and the Ministry’s activity.

The Report also considers the capability issues that the Ministry will need to address if it is to achieve its outcomes in an effective way. The Ministry will need to identify and make decisions about which issues and priorities are the most important, and to measure the impact of its activities. The management capacity at the Ministry also needs to be enhanced which would enable it to drive changes in policy, systems and procedures. With proposed changes recommended by the review, an experienced, qualified change agent manager would be required to change the culture and approach within the Ministry.

3.5 Methodology and Overall Approach

To undertake the review, the Director of Audit and the Manager of Performance and Special Reviews appointed a Performance Auditor and a Financial Consultant to carry out the review. Key Stakeholders were consulted during the review. Appendix A lists the stakeholders interviewed. Appendix B names the auditors assigned for this review.

The Key Stakeholder Group included members from other sector agencies in Government and the private sector. The auditors spoke to private businesses that supply goods and services to Works along with private technical, policy and management consultants. To get historical viewpoints, the review team spoke to past and present politicians, policy advisors of the two main political parties and donor agencies.

The auditors also undertook background research on the issues identified in the Audit Plan, and researched a variety of reports to inform our thinking. It should be noted that the auditors did not undertake a detailed analysis of privatization models and user pays systems used by other agencies in other countries. An analysis of that kind involves significant resources, and is unlikely to be of great value without detailed discussions with regulators about why particular approaches have been taken.

The auditors also reviewed the financial systems and records available at Works and have identified areas of concern. A Special Review has been approved by the Director of Audit and this would give a separate detailed analysis and report of concerns identified during this review.

4.0 Putting the Ministry of Works in Context

In considering the role of the Ministry of Works, it is informative to review the Ministry's institutional arrangements and their implications for the Ministry's role. Historically, the Ministry has always been the key driver for development initiatives especially regarding infrastructure. The Ministry provided all the infrastructure service requirements and absorbed most of the cost of such initiatives.

The drawback to this arrangement is that over time, the Ministry and or the Government couldn't sustain the Ministry activities and costs especially when there wasn't a user pays systems in place. It also didn't help that the public's expectation to the services provided by Works was that it wouldn't cost them anything because that's what Government is there for. Because of the unsustainable nature of the Works arrangement and the pressure on Government to sustain other core services, change was inevitable.

Since its inception, the Ministry has undergone some changes. The most recent change took place during the public sector reform process in 1996. Some of the Ministry's project and service delivery functions and outputs were devolved to other agencies such as the Office of the Ministry of Island Administration (OMIA) while planning and energy was included as part of the Ministry setup. The Ministry of Works was renamed the Ministry of Works, Energy and Public Planning (MOWEPP).

Because of the lack of capacity in project planning and management, some of the planning functions were later taken up by organisations such as Aid Management Division (AMD) at the Ministry of Finance and Economic Management (MFEM). The Ministry also attempted to build capacity in areas such as policy. Currently, local policy advisor, Keu Mataroa is part of the Ministry management team. The latest change at the Ministry is the relocation of the Energy Department out of Works and setup as a stand alone ministry.

4.1 The Ministry's Existing Core Functions

The Ministry of Works currently has seven outputs as part of its core functions. There are a total of 55 public servants employed by the Ministry. The budget appropriation for the 2007/2008 financial year is currently set at \$2,033,449 with a net appropriation amount of \$1,738,449. The Ministry trading revenue is \$295,000 and the capital expenditure amount is at \$1,725,000. POBOC was approved for the Ministry at the amount of \$90,000. It is to be noted that the Ministry of Works is mainly responsible for the infrastructure needs and requirements for Rarotonga only. The Outer Island requirements are managed by the Office of the Ministry of Island Administration (OMIA).

4.1.1 Policy & Central Administration

The policy and central administration division provides the financial and administration support services for the Ministry. This division manages all the inventory and records management needs of the Ministry. A policy advisor is also included as part of this division along with a Works Coordinator. The coordinator is responsible for coordinating project activities within the Ministry and also liaises with the service providers on behalf of the Ministry. An Urban and Rural Planning Unit is also attached to this division as part of a new Ministry initiative.

4.1.2 Survey

The Survey or Land Information Services division provides information and maps on land boundaries and records of behalf of the Ministry and Government. This information is maintained to a standard of accuracy and independence. Land survey information is updated and data inputted into digital format.

4.1.3 Energy

The energy division has been relocated outside of the Ministry of Works. It is now a stand-alone ministry.

4.1.4 Building Control

The Building Control division provides building inspection and code compliance services on behalf of the Ministry and the Government. The building legislations that are managed by the Building Control Division are:

- § Building Controls and Standards Act 1991
- § Building Control and Standards Regulations 1991
- § National Building Code 1990

An estimated number of 80 building permits were issued (Residential / Commercial / Tourist Accommodation and Community) in the year 2006 / 2007 period alone with an estimated total value of \$10 million (excluding some buildings in the outer islands) being invested in the Building Industry.

4.1.5 Road Works

The Road Works division provides road works maintenance and support services for all roading needs and initiatives for Rarotonga. The division is responsible for organising all road repairs and maintenance programs. They also provide services to home owners and the private sector by way of tar sealing car parks and road ways as requested.

4.1.6 Water Works

The Water Works division provides water maintenance and support services for all water needs and initiatives for Rarotonga. They are also responsible for quality assurance testing of the water supply. A major project undertaken by the Water Works division is the upgrade of the whole network throughout Rarotonga. At present, the project is about 70 percent complete. Water Works also manages various regional programs related to water supply including;

- § Water Safety Plan – Funded by NZAID and coordinated by SOPAC and WHO office, Fiji
- § Pacific HYCOS – Funded by NZAID, AUSAID and EU
- § Water Demand Management – Funded by NZAID
- § Water Quality Monitoring Capacity Building – Funded by NZAID, supported by WHO and USP
- § Integrated Water Resources Management – under preparatory stage for submission to GEF for funding by November 2007

4.1.7 Waste Management

The Waste Management division is responsible for the management of the Rarotonga Waste Facility. The Rarotonga Waste Facility which consists of the landfill, septage ponds and a Recycling Centre is headed by Siona Paku with three (3) full time employees. Tekao Herrmann overseas the management and operations of the Waste Facility as director of the division. Both the Rarotonga and Aitutaki Waste Facilities, funded by ADB, are completed to the extent that both facilities are able to be used for their intended purposes.

5.0 What is the Status of the Ministry?

5.1 Historical and Traditional

Setup of Works

5.1.1 The Ministry of Works has been in existence since the beginning of formal Government systems and processes in the Cook Islands. The New Zealand Government as part of their island territory responsibilities provided and funded the services at Works. Since the country's independence in 1965, the Ministry has played an important role in the development and maintenance of the country's infrastructure needs. The Ministry was also involved in housing development and residential settlements in areas such as Pokoinu, Te Puka, and Tereora are evidence of such initiatives. These settlements mainly accommodated expatriates and outer island public servants.

5.1.2 The setup at Works since the 1965 independence was a traditional Government arrangement. **Government provided all the necessary services** like housing, roads, water, power, and telecommunications. For housing, Government also provided the materials like concrete blocks as part of the housing initiative. This traditional setup also meant that the Ministry and Government

covered all the costs of providing such services. The problem with such arrangement is that over time, Government will not be able to continue covering such high costs especially if they are not recovering these costs through initiatives such as user pays.

Colonial Influence

- 5.1.3 When the country gained the status of self governing, the country's leadership was localised but the personnel and key decision makers within Government were mostly made up of expatriates. According to **Sir Geoffrey Henry**, a long time politician and **former Prime Minister**, the problem with this arrangement is that the two groups had different approaches, value systems, perceptions and agendas. The country's leadership had a vision in mind which was to localise key positions within Government. After all, the country was self governing and to be consistent with that approach, key personnel and decision making needed to reflect that. The expatriate community had other ideas and may have been influenced by their Government.
- 5.1.4 As a consequence of this arrangement, the decision making process within Government became complicated. Within Ministries and across sectors, the decision making process didn't seem to flow and it was questioned at times by those that were involved. The Government departments that were mostly impacted by this arrangement was the Treasury Department, now called the Ministry of Finance and Economic Management (MFEM), Public Works Department, now called the Ministry of Works (MOW), the Premiers Department, now called the Office of the Prime Minister (OPM) and the Public Service Commission (PSC), now called the Office of the Public Service Commissioner.
- 5.1.5 Sir Geoffrey Henry remarked that the management within these departments were reluctant to change and didn't accept the direction and approach put forward by the leadership of the country. New initiatives and policies introduced by Government were generally disregarded and the localisation approach was generally questioned by the expatriate community. The justification for this approach from the expatriate personalities according to Sir Geoffrey was that the Cook Islanders appointed to senior management positions within Government did not have the qualification, experience and the expertise to perform the job and did not understand how public administrations operated.

Status of the Economy

- 5.1.6 The status of the economy also gives a good indication as to what services are needed and what the demand is within the country. According to Sir Geoffrey, in the earlier days when the country gained self Government status, the private sector had a very small presence. There were hardly any contractors and private trades' people to provide a service. The household income levels were also lower during this period and the economy was driven by agriculture. The economy and the country were still very "young" in terms of experience and stability. At the same time, the people were very dependent on Government for employment and to provide all the necessary services required.
- 5.1.7 Sir Geoffrey remarked that today, the country is experiencing steady growth due to the growth in industries like tourism and marine resources. There is a larger private sector and they are able to provide a range of products and services to satisfy the needs of the people and the country. The level of household income is also reasonable and as a result, the people expect more and demand more. If their needs are not being met by Government, they turn to the private sector to provide

the services. Today, there are more private schools in place and if people require further education and health services, they relocate to countries like New Zealand or Australia. Generally speaking, the people are less dependent on Government for employment and services.

Expectations

- 5.1.8 The expectations from Government regarding the operational and infrastructure costs are that it should be affordable. The original infrastructure setup in the country was mainly financed by aid donor funds. Works was responsible for implementing and supporting this setup. According to **George Cowan, the former Secretary of Works**, as the country developed over time, the infrastructure needs also increased but did not get the adequate attention it needed. Successive Government's approached investment in infrastructure development as more of a window dressing exercise and they were doing it more for political recognition rather than real economic development gain.
- 5.1.9 Successive Governments had ample opportunity to develop a proper infrastructure planning and implementation framework supporting the notion of affordability. The Budget Policy Statement for the 2007/2008 period clearly state that the outcome that Works should be aiming for is an affordable infrastructure. However, this review has found that the outputs and budget allocation do not provide adequate funding to achieve this outcome. The reality is that infrastructure needs have been overlooked and the cost to fix it is exorbitant. The country's infrastructure needs and the issues at Works cannot be addressed without a significant financial investment and commitment from Government to make it work and sustain it over time.
- 5.1.10 Government has been working with donor partners to provide the necessary financial investment to address the country's infrastructure needs. Government was engaged in various fact finding missions and visited regional and international Government agencies hoping to source funds to address infrastructure issues. The Infrastructure Master Plan along with the Rarotonga Apopo Report highlighted the need for Government to focus on infrastructure. These reports also gave estimated timeframes and requirements for infrastructure development initiatives and how this can be factored into Government and Ministry planning and budget processes. These reports also supported Government's request to donor agencies for more funding. With the facts in place and the funds sourced from various donor agencies, Government is now in a position to take action.
- 5.1.11 The Ministry's expectation in this whole infrastructure development and funding process has always been for more funding and resources to carry out its work programs and new initiatives. They rely heavily on Government to provide the required funding to finance their operations and projects. At times, funding is sourced from regional and international agencies but these are more for capacity building and training initiatives. George Cowan, the former Secretary for Works confirms that adequate resources and funding are needed for Works. The Ministry maintains that they have been deprived of the necessary funding to carry out their work and to address some of the common infrastructure issues like roads, water and waste management. Lately, waste management has been addressed and financed by ADB.
- 5.1.12 The private sector also has expectations when it comes to infrastructure according to the **Vice President of the Chamber of Commerce**. The private sector expects quality service at the highest level because this enables them to provide their services to the public in an efficient way. The tourism industry for example expects quality and efficient roads, a clean and consistent supply of water, and a clean environment. The service industry expects quality service from the

Ministry with a reasonable response time when the services are requested. The general public also expect quality service from the Ministry but at minimal or no cost. The public's expectation was and still is that the service provided by the Ministry is Government's **social responsibility**.

5.2 Definition of Responsibility

Crown Responsibility

5.2.1 When it comes to infrastructure, Government's responsibility is to provide quality and affordable infrastructure. The infrastructure has been purpose built to satisfy the requirements and the demands of the people along with the condition of the surrounding environment at a given time. The infrastructure was to provide opportunities to stimulate economic development especially in areas like the outer islands. Adequate harbours, airfields, roads and water supply provided access in the outer islands where economic development was desperately needed. The responsibility to provide quality support services required for infrastructure development and maintenance was given to Works and other implementation agencies.

5.2.2 This review has found that the **fiscal responsibility for infrastructure lies with Government**. It is up to Government to determine and prioritize how much they allocate for infrastructure. The private sector's role is to assist Government in implementing infrastructure initiatives. Reports such as the Infrastructure Master Plan and Rarotonga Apopo highlight the need for Government to address the infrastructure needs of the country. These reports also provide information on requirements for infrastructure development. To finance and implement infrastructure initiatives, it was and still is Government's responsibility to consult with other agencies such as donor partners and regional agencies when seeking financial and technical assistance.

Ministerial Responsibility

5.2.3 Works is responsible for the maintenance, monitoring and reporting on infrastructure issues and needs to Government. They are also responsible for providing sufficient planning, policy and technical advice on ways to improve the infrastructure and minimise the cost. Works managed the core infrastructure services like the roads, water, waste management and building control. This review has found that as infrastructure demands escalated, stimulated by population growth and economic development, the cost and the requirements for new technology also increased to a point where the Ministry does not have the resources and the capacity to sustain the required quality and service to maintain and improve the infrastructure.

Private Sector Responsibility

5.2.4 Private sector's involvement with infrastructure development has been minimal up until recently. They did not have the capacity to begin with but as demand grew and quality and turn around time for services declined at Works, private sector saw an opportunity to generate income and to add value to the country's development efforts. Today, the private sector has strengthened their ability to deliver some of the services currently provided by Works. Companies such as **T&M Heather** have been providing roadwork for the private sector and home owners while Recycle Cook Islands created initiatives in Waste Management. Other companies such as suppliers and contractors have also developed their skill and supply base to cater for rising demand.

Public Responsibility

5.2.5 The general public also have a responsibility in this process according to **former Takitumu Mayor, Teariki Matenga Jnr**. They provide feedback on the quality of service rendered by Works and they relay information on faults within the infrastructure system. They also relay their concerns or issues from the grassroots level. They can also provide policy advice through their respective Government representatives. The general public are of the opinion that the quality of service provided by Works along with the condition of the infrastructure is inadequate. The general feeling is that the Government need to address the infrastructure issues and ensure that an agency such as Works can provide the necessary service to support infrastructure initiatives.

Development Priorities

5.2.6 When it comes to infrastructure development, a clear definition of responsibility is needed to enable a smooth transition in the development process. What has happened up till now has been a rather ad-hoc and unstructured process. The Infrastructure Master Plan has outlined priorities for infrastructure along with estimated timeframes and resource requirements. Another report called **Rarotonga Apopo** identified the cost to address infrastructure between **\$50 million and \$115 million**. With a range of reports surfacing with similar recommendations, it is appropriate to implement a more structured review process to consolidate all reports and enable Government to identify where the priority is and where the resources need to go.

5.2.7 The **National Sustainable Development Plan (NSDP)** was developed as a visionary framework on national development priorities and it links infrastructure into the development process. Low and high priority areas have been identified and sustainability has been determined to identify potential for economic development. However, the roles and responsibilities of each stakeholder in Government, at the Ministry level, in the private sector and the general public have not been clearly defined and understood according to Senior Policy Analyst at OPM, Elizabeth Koteka. There are no benchmarks to measure successes or failures and the timeframes are rather vague.

5.2.8 The cost and benefit of development priorities needs to be determined. Rarotonga has been the focus for the majority of development initiatives. The Outer Islands however, has been viewed as a costly investment with little returns according to **Iaveta Short, Policy Advisor for the Democratic Party**. When it comes to development priorities, the consultation process needs to be a collaborative effort. It needs to include all stakeholders in Government, the private sector, general public and support agencies in the country. The hard questions need to be asked and sacrifices made to enable resources to be prioritized to where it is needed the most. This process also needs to be depoliticised to allow for transparency and accountability to take place.

5.3 Governments Commitment

Lack of Commitment

5.3.1 Government's commitment in the whole development process is critical because they are the decision makers and they also have the financial capability to fund development initiatives. Government has the legislative framework to make and support their decisions and they can initiate policy to provide guidelines for their decision making and priorities. Government also has the ability to source funding through different means such as taxation and other revenue

generating mediums. If they do not have the capacity to provide funding, they have the ability to source assistance from donor partners and other regional and international organisations.

- 5.3.2 The condition of the infrastructure throughout the country is a clear reflection on Government's commitment to developing and maintaining this core service. The state of the infrastructure has deteriorated over the years and money invested to maintain services such as roads and water has been minimal. Key stakeholders consulted for this review share the same concern that Government's commitment and approach to addressing the infrastructure needs of the country have been short term **quick fixes or "band aid" solutions**. Infrastructure has been a low priority for successive Governments and issues are now quite evident especially when it comes to roads, water, waste management, and access and affordability issues in the Outer Islands.
- 5.3.3 The perception within Government with regards to infrastructure development has always been that the solutions are long term and they are costly and difficult to implement. **Investment into infrastructure was seen as costly with very little return** gained on the investment according to Iaveta Short, Policy Advisor for the Democratic Party. Investment especially in projects and initiatives in the Outer Islands needs to be reviewed and streamlined to allow for better use of resources and to generate a return. Short believes that if Government is serious about development especially in infrastructure, then it needs to have the adequate policy direction, political and Government structures and proper budget processes in place to support and drive these initiatives forward, or in other words, strengthen the Government systems.

Lack of Information Systems

- 5.3.4 Government's commitment to infrastructure is also reflected in the way the Ministry of Works has operated over the years. As part of this review, documentation and reports were sourced from the Ministry and other sector agencies to see what programs and initiatives have been created to cater for the needs of infrastructure. Apart from the Infrastructure Master Plan and the Rarotonga Apopo report, there is limited documentation in place to use as a reference especially for planning and policy development purposes. If there were reports created for the purpose of informing Government about infrastructure, these were either too costly to implement or the technical requirements were not familiar to implementation agencies like Works.
- 5.3.5 The Ministry also **lack adequate systems and processes to collect, process and monitor data** required to support reports and initiatives. This review has found that there is a general lack of reliable and valid information required to assist the planning and policy development process. There are also a lack of understanding as to how systems should be implemented and what data should be collected. Issues such as performance, quality and cost are difficult to determine because there is inadequate evidence to support findings. The only evidence that is available that can be of any use is the actual conditions of infrastructure and the feedback from the general public regarding the service provided by Works.

Resource Limitations

- 5.3.6 The resources needed to assist in the planning and implementation process has been lacking. Along with the lack of adequate systems, there has been **limited financial investment** to build systems and technical capacity to allow the planning and policy development process to improve. According to the Management at the Ministry, they have requested for more funding to build capacity in policy, planning and systems but their requests were considered a low priority. To build adequate capacity in planning and systems is a costly exercise and the benefits and the

return on this type of investment has never really been appreciated. The recent performance and track record at Works has been questionable and this may have compromised their requests.

- 5.3.7 The general **lack of resources** is a public sector wide problem and is not limited to the Ministry of Works alone. The critical areas that are lacking in public service are in areas of management and finance, policy and project planning, monitoring and enforcement, integrated systems and specialist personnel. It is unsustainable and costly for ministries to enhance their operations with adequate technology supported by complicated operational systems and procedures because their personnel may not have the capacity and the expertise to implement and manage these systems and processes. The Government structure is also complicated by the fact that resources and systems are not readily shared at the sector level to support planning and eliminate duplication.

Shift in Priorities

- 5.3.8 Government's commitment has also deviated into other initiatives and areas of interest. In the early sixties, Agriculture was the dominant industry however, with the opening of the Rarotonga International Airport; the country shifted its resources and priorities into the tourism industry. The tourism industry is now the dominant industry in the country and it is the main catalyst for development in the service and support industries. Recently, Government has also invested a lot of time and resources to stimulate the fishing and the pearl farming industries. These new industries are supposed to strengthen the economic base of the country and provide stability in the economy to alleviate any shocks from the fluctuating and fragile tourism industry.
- 5.3.9 Government has also prioritized changes and development in the core services such as health, education, and law and order. Resources have been shifted to these priority areas as a response to reviews conducted on the performance and systems within these services. Over the years, the public sector also had unrestricted growth and in 1996, the country was faced with a financial crisis. Public sector reforms were implemented and resources were shifted based on necessity. The reform process according to Sir Geoffrey Henry was an unfortunate experience but it was timely because it was an opportunity for the Government to reassess its functions and priorities.
- 5.3.10 Priority within Government has also been influenced by politics. The general reaction amongst the Key Stakeholders consulted is that **politics compromises planning and development**. With the absence of a national development plan for the last forty years, the country had to rely on party policy to drive development. The problem with this approach is that development has taken place according to party priority instead of national priority. In some cases, a Minister's priority took precedence over the Ministry's priority and this has been evident at Works. Political influences also compromise the policy development and planning process and the consequences are that resources are shifted to satisfy the political desires of decision makers. Most of these priorities are short term solutions that need to make a direct visual impact and it is designed to maintain political support. Long term solutions like infrastructure were a low priority.

5.4 Policy and Planning

Lack of Coordination

- 5.4.1 The policy development and planning initiatives within the Ministry of Works has been a concern for a variety of stakeholders involved in this review process. Stakeholders consulted within Government and the private sector have noticed the weakness in policy development and planning especially in areas such as operations and projects. **Elizabeth Koteka of the OPM**

Policy Unit commented that **Ministry policies are not aligned with the national policies**. Her area of responsibility is the infrastructure sector and she has commented that Works projects and policies are planned with no interaction with the central policy and planning unit at OPM. As a consequence, the project's purpose and outcome has very little connection to the NSDP and national priorities and it adds very little value to the country's development efforts.

- 5.4.2 When there is a breakdown in policy development and planning between the ministry and the national level, there is no coordination or linkage with the national goals outlined in the NSDP. As a consequence, policies created are inconsistent and misunderstood and the overall policy direction is not clearly defined. When this happens, objectives created at the ministry or the implementation level becomes meaningless because outcomes are not understood and achieved. At the Ministry of Works, policy development and planning is conducted mainly at the ministry level with little interaction and no formal consultation with other support agencies like Environment and Health. As a consequence, when projects are implemented, other agencies are not fully aware of their responsibilities and requirements and in some cases, work is duplicated.
- 5.4.3 To link ministry policies and planning with national policies and planning, formal planning and policy development needs to take place at the sector level. It is important that policy and planning initiatives take place at this level because it allows for consistency in the planning process. This review has found that planning at the sector level allows for appropriate information, resources and at times, systems to be shared which adds value to the planning process. It also eliminates any duplication of work and it reduces administration requirements. Also, if one agency in the sector lacks the adequate resources and expertise, other sector agencies can provide required resources and expertise if and when required.
- 5.4.4 The sharing of information, resources, and expertise is critical to the planning and implementation process especially for Ministry of Works and the infrastructure sector. This review has found that if projects or new initiatives are to be planned and implemented, roles and responsibilities need to be clearly defined to ensure that all agencies involved understand what is required of them. This also minimises the downtime of projects especially during the implementation stage. After the projects are completed, all stakeholders and sector agencies involved in the planning and implementation process would also understand how to maintain performance of the project and monitor the project's effectiveness.
- 5.4.5 Management at Works remarked that major infrastructure projects are planned in consultation with Telecom Cook Islands, Te Aponga Uira and other stakeholders involved like Environment and Health. This **consultation process** however, is **more for courtesy purposes** rather than for the actual planning and the implementation of projects. As a consequence, after a project like a road is completed, it is excavated again and other utilities are arranged and implemented. One would only have to drive around the island to see roads being excavated to make way for new water, electrical or telecommunication installations.
- 5.4.6 This review has found that the planning and implementation of projects at Works and within the infrastructure sector is inadequately managed. Agencies such as Environment have informed us that they have had to initiate discussions with Works to assist in the planning process. The communication channels between sector agencies are not effective and as a consequence, the projects implemented get minimal support and "buy-in" from stakeholders and agencies involved. The community is another stakeholder that is ill informed during the planning and implementation

of projects. Most in the community commented that projects are usually conducted with very little input and advice from the people at the grassroots level.

Lack of Formal Structures

- 5.4.7 The lack of communication at the Ministry and sector level is a reflection on the **lack of formal communication structures** that exist within the sector. According to the Management and personnel at Works and other sector agencies, there is interaction between sector agencies but it is at a minimal. Most of the discussions between agencies such as Environment, Health, Telecom Cook Islands, and Te Aponga Uira take place to inform those involved on what is going on regarding projects or new initiatives. Discussions also take place on policy and other matters relating to operations or projects but the implementation of initiatives from these discussions still remains with the individual agencies.
- 5.4.8 This review found that strategic alliances or memorandums of understanding are not in place to formally facilitate the sharing of information, resources, costs, and responsibilities. The discussions that take place between Works and other agencies are more informal and unstructured and it is done when it is convenient. The review also found that a sector agency like Environment has the regulatory capacity especially in areas of monitoring and enforcement, policy and awareness however Works lacks capacity in these areas. Agencies such as OMIA also lack expertises in technical areas such a project design and management but Works and AMD has expertise in these areas.
- 5.4.9 If formal agreements did exist between these sector agencies, proper information and resource sharing can be structured as part of their planning and operational activities. When it comes to costs, these can be shared and apportioned as part of each agency's new initiative or capacity building costs. With formal arrangements in place, sector agencies will be more forthcoming when it comes to capacity building or acquiring required resources to address shortfalls in much needed areas like policy, systems and monitoring. These agencies would also know where the resources are and what strengths and weaknesses each agency has. Formal agreements also allow training and awareness programs to be organised and implemented together reducing the cost, administration and duplication of these initiatives.
- 5.4.10 Private sector agencies commented that they are sometimes consulted on policy, planning and training initiatives but these arrangements are informal. At times, they have taken the initiative to get involved in policy and training initiatives especially in areas of waste management. The private sector's main interest is to understand the technical standards and requirements set by Government and Works to assist them in service delivery responsibilities. Their other interest is to understand Government's commitment to this whole process and to see how they can add value or assist in providing specialist expertise where required. The general public is also interested in being part of the policy and planning process but their views are rarely sought after or acknowledged. The public are also unsure of their responsibility in this whole process hence the reason for a lack of urgency when the opportunity is given to participate.

Lack of Experience and Depth

- 5.4.11 The failure in the policy and planning process can also be attributed to **lack of policy experience** and depth at the ministry, sector and national level. The Policy Advisor at Works, Keu Mataroa remarked that the Ministry lacks policy capacity especially the capacity to provide policy advice

in areas such as water, roads, and waste management. This concern with lack of capacity is also shared by Elizabeth Koteka, Senior Policy Analyst at the OPM. Koteka remarked that the infrastructure sector in general and the Ministry of Works lack the capacity to develop infrastructure policies. Koteka further remarked that the absence of a national plan over the years has also hindered the policy development process at the national, sector and ministry level.

- 5.4.12 Policy and planning initiatives are also compromised if there is a lack of information to support and enhance this process. This review has found that information is not accessible at Works and at the sector level because the information systems are not adequate and they are not linked. **Priscilla Maruariki, Treasury Operations Manager at MFEM** stated that Government lack policy direction and information is not available to support policy formulation. Maruariki also stated that the information systems within Ministries are inadequate and the right information is not being collected, processed and reported. With a lack of policy capacity and information systems, the decision making process is also compromised and as consequence, new initiatives and solutions within Government are either short term or quick fixes with narrow purposes.

5.5 Administration of Works Function

Lack of Understanding of Responsibilities

- 5.5.1 The Ministry of Works has undergone different changes. These changes are due to changes in policy direction and development priorities within Government and usually happen after a change in Government administration. Changes have also occurred due to changes in Government structures as a result of the 1996 public sector reform process. Because change occurred due to necessity or direction, this impacted on the overall direction and purpose of the Ministry of Works. The Ministry has merged or devolved different functions and responsibilities like energy, planning and housing. The Ministry also started building capacity in areas like policy and appear to be competing with the private sector in areas such as roading.
- 5.5.2 Sir Geoffrey Henry remarked that the 1996 public sector reform process gave Government the opportunity to clearly define what the purpose of Works was. The vision at the time was to involve the private sector more and strengthen the regulatory functions within the Ministry. As a result, planning and energy was included in the Ministry to allow for consistency in policy and implementation of technical requirements. A technical committee was another initiative setup to strengthen the technical standards and requirements for monitoring and enforcement purposes. A water and transport board was to be established as part of the reform process and the idea was to privatize water and roads. Sir Geoffrey however remarked that since the 1996 reforms, Government has recentralised roads and water as part of the Ministry's core service.
- 5.5.3 This review found that the **responsibilities** for the Ministry of Works have **not been clearly defined**. There is a general lack of understanding of what the purpose of the Ministry really is whether it is service delivery or regulatory. The needs of the Ministry have also been overlooked because of undefined responsibilities. Change in direction due to a change in Government administration is also a factor that impacts on the responsibilities of the Ministry. With a change in direction, it affects initiatives like training, succession planning and capacity building in areas of need like policy and monitoring. It also impacts on the planning process where resources are shifted to other priority areas as determined by the incoming Government. The Ministry, as a result, has never been able to plan and fund long term initiatives or improve service quality.

Lack of Resources and Funding

- 5.5.4 Currently, the Ministry is expected to provide their core services to a reasonable quality and within the current budget arrangements. Management within Works has remarked that their **current budget and setup is inadequate** and they are unable to deliver the services according to the required standards, and timeframes. They lack the resources and personnel to carry out their work and their project proposals for more funding have been rejected. For example, the road works budget is set at approximately \$400,000 and this amount is suppose to address all of Rarotonga's roading needs. This amount is only sufficient for maintenance and repairs of planned roadwork and it does not include new initiatives or unscheduled work.
- 5.5.5 When unscheduled work is taken on board by the Ministry, the maintenance and repairs amount for planned roadwork is compromised and as a consequence, some of the areas that need urgent attention are overlooked. Roadworks and Waterworks are the two main areas that are affected by the lack of funding and resources and a lot of their projects and initiatives have been delayed because of funding constraints and unscheduled work. Management at Works commented that they are faced with these issues all the time. Political influences have also impacted their service delivery functions and their budget arrangements. Management also commented that their requests for more funding are usually denied and as a result, projects and new initiatives are delayed. The impact of these issues is quite evident as the roads and water are of low quality.
- 5.5.6 Funding agencies like MFEM and AMD have rejected Work's comments on the denial of funding by saying that the reason for a rejection in the Works proposals is because they lack the required information and the Government financial policies and procedures like tenders and quotes are usually overlooked. They also commented that Works have been found to use materials that were not suited for our conditions and our environment here in Rarotonga. Works have responded to these claims by saying that the tender process is overlooked and suppliers and service providers are preferred because they know the Works supply and service requirements really well and have delivered the supplies and service to a very reasonable cost and quality.
- 5.5.7 This review has highlighted clearly that the breakdown in communication regarding funding and responsibilities has had a negative impact on the operations within the Ministry of Works and as a result, the country's infrastructure suffers. With the absence of planning and sharing of information and resources at the sector level, the planning and funding process at the Ministry of Works has been compromised. As a result, project proposals are rejected or delayed and the public continues to suffer and have to endure low quality roads, low quality or no water in some areas, and poor waste management.
- 5.5.8 Lack of resources and funding also compromise the development and capacity building process at Works. It also doesn't help that the Ministry's purpose and responsibility has not been clearly defined. With minimal funding and unclear purpose, the Ministry is in no position to build capacity to address the infrastructure needs of the country. It is also pointless to try and build capacity and acquire more funds until the Government is clear as to what they want the Ministry and the sector to do and achieve. Once the purpose of the Ministry is defined, the structure and the resources have to be in place to support the purpose and to move Works forward.

5.6 Condition of Infrastructure

Poor Quality

- 5.6.1 The key stakeholders interviewed clearly stated that the condition of the infrastructure in Rarotonga and the Outer Islands is below standard and there is also enough evidence around to also make such claim. The **roads on Rarotonga have deteriorated** to a point where reports like Rarotonga Apopo are also commenting on this issue. The problem is that the roads were built to standards and requirements that were inadequate and low in cost. The repair works on the roads do not provide any value and the problems of pot holes continue to resurface. When the road is excavated to install new water, power and telecommunication lines, the repair work is done inadequately and costs for these repairs are not covered by those installing the lines.
- 5.6.2 The **water quality and supply** on Rarotonga is **inconsistent**. In some areas like Nikao, Atupa and the town area, the water supply slows down or stops especially when the island goes without rain for an extended period of time. The quality of the water almost always drops after heavy rain because there aren't any water reticulation or sanitation systems in place to reduce impurities in the water. The water quality is not being monitored regularly because monitoring systems are not in place to carry out these requirements. Leaks and breakages in water pipes also go undetected until members of the public report these to the Ministry. There is also a lack of storage facilities like water tanks and reservoirs to store water in preparation for the dry season.
- 5.6.3 The current sewage system using septic tanks is a concern because the overflow from these tanks seeps into the ground and into the natural water systems in place in the ground. Evidence of this problem has been identified in high density areas like Muri in Ngatangia. There are **no waste treatment facilities** to process the sewage into renewable resources and to reduce the impact on the environment. Recycling is still not fully appreciated and the dumping of recyclable materials at the Waste Management Facility in Arorangi is evidence of this. There are no community initiatives like drop off centres or green waste sites where recyclables are sorted and green waste are turned into mulch for agriculture purposes.

High Maintenance Costs

- 5.6.4 The cost to upgrade or implement a proper infrastructure is very high as indicated by reports such as the Rarotonga Apopo. The cost in terms of dollar value has been put between **\$50 million to around \$115 million** and this is only for Rarotonga. The cost to the environment is also being realised especially in areas like Muri where the natural environment is the key attraction for tourists. It is clear from reports about infrastructure that something needs to be done to sustain industries like tourism and also to improve the quality of life of the people. The cost to repair and implement a purpose built infrastructure will determine how the country organises its development programs and how it grows in the next five to ten years.
- 5.6.5 **Development and economic growth is dependent on a strong infrastructure** and vice versa. The investment from Government in infrastructure over the years has been more of a short term or quick fix approach. The substandard condition of the infrastructure today is a reflection on that investment. The Government systems along with the political influence have also been a factor that has impacted on the development of infrastructure in the country. With the changes in development priorities, lack of policy direction and lack of leadership, the condition of the infrastructure has been allowed to deteriorate to a point now where if Government does not address the issues, the economic future of the country will be of major concern.

Lack of Capacity and Commitment

- 5.6.6 The condition of the infrastructure and the cost to repair it has not been fully realised until recently when the Infrastructure Master Plan and the Rarotonga Apopo report surfaced. This is a reflection on the lack of adequate capacity within Government and more specifically the Ministry of Works to determine the cost and the requirements to address the infrastructure needs of the country. This review found that the Ministry of Works generally **lack the management and specialist technical capacity** to provide expert advice on areas such as policy and planning, monitoring and enforcement, and project design, costing and management. The whole process is also weakened by the fact that the Ministry and the infrastructure sector lack adequate research and systems to provide data and information to support policy and planning initiatives.
- 5.6.7 Works generally lack the management and technical capacity to design and implement systems and processes especially in areas such as waste management, foreshore protection, and water sanitation. They have technical capacity in some areas of roading and water but they lack the proper systems and specialised equipment for monitoring and enforcement in these areas. **Don Dorrell, a Design Engineer** remarked that Works does not have the capacity to adequately cost and manage their projects. Dorrell also stated that the planning processes at Works are also weak because they have limited access to appropriate and up to date information and technology. Other stakeholders also share this same concern and they are of the view that unless strong systems and policies are in place, projects will continue to be poorly planned and implemented.
- 5.6.8 The cost and the management of new infrastructure requirements need to be supported by strong systems and policies within Government and the Ministry. It will be a waste of time and resources if a huge financial investment is made to address the infrastructure and that investment is not supported by adequate systems for policy and planning, monitoring and enforcement, and strong awareness programs to educate all stakeholders of their responsibility. Currently, there are no policies and systems in place to safeguard the implementation and monitoring of infrastructure projects. There is no policy direction to inform all stakeholders regarding water, roads and waste usage and management. The current technical standards and requirements also need to be updated and strengthened to allow for proper implementation of projects.
- 5.6.9 The policy direction, technical requirements and funding obligations need to be defined clearly to allow stakeholders such as the private sector and donor partners to understand what role they play in supporting infrastructure development. Currently, the private sector has limited understanding on what Government wants to do with infrastructure. **John Wichman of Recycle Cook Islands** stated that they are waiting for Government to do something about waste management and they want to understand how committed Government is to addressing the problems with waste. Wichman further stated that his company will not make any further commitment to build capacity in waste management until they are sure what Government wants.
- 5.6.10 **Garth Henderson of AMD** also stated that funds are available for infrastructure development even for Outer Islands initiatives but the problem has been the lack of policy, management and systems to support infrastructure initiatives. Henderson also commented that funding agencies like ADB are willing to fund initiatives in infrastructure but these initiatives need to have a cost recovery mechanism in place to provide continuous support and sustainability. Cost recovery mechanisms like taxes and user pays will need to be structured into the development and change process at the Ministry, sector and national level to enable funds to be generated to support and maintain infrastructure development and new initiatives.

6.0 What are the Critical Issues?

6.1 Management and Decision Making

Lack of Adequate Skills and Experience

- 6.1.1 This review has found that personnel at the Ministry lack skills and experience in **management, systems, finance, policy and public administration**. Key stakeholders commented that this issue is right across the board within the public sector. Key stakeholders also commented that some management personnel at Works have the skills and experience in technical areas but lack strategic management skills and experience. A clear example of this is the Secretary of Works, Ata Herman. Some key stakeholders have commented that the Secretary has a strong engineering background supported by the necessary skills and qualification; however, he lacks management skills and experience required for the role as Secretary.
- 6.1.2 Management at Works also lack the necessary experience in sector planning. There are many opportunities to organise and implement initiatives at the sector level but Management at Works lack the experience and “know how” to facilitate such initiatives at this level. Policy development is another skill and experience required for sector planning but this skill is definitely lacking at the Ministry. Garth Henderson from AMD has stated that they have waited for a water and waste management policy from Works for many years and these policies are still nowhere to be found. Henderson stated that the problem at Works is the lack of skills to create relevant policy and the lack ownership from Management.
- 6.1.3 From an operational perspective, this review has found weaknesses in systems and processes within the Ministry. These weaknesses are believed to be a reflection on the lack of skills and experience within Management and key personnel especially in the areas of policy, finance, administration, file management and inventory management. The 2007 stock take and special review conducted by the Audit Office highlights poor internal controls and poor inventory management practices and the lack of follow up to address these concerns. The review has found that some of the operational issues at the Ministry can be addressed accordingly if Management identified the problems and implement simple and practical solutions.

Inadequate Decision Making

- 6.1.4 Poor decision making is a reflection on lack of management skills and experience. Management at Works have been known to **overlook Government policy** especially regarding fiscal management. The evidence of poor decision making is a decision by Management to prefer some contractors and suppliers over others while overlooking policy guidelines like tendering. Management at Works have also been known not to meet project and proposal deadlines and not turn up to meetings with agencies like MFEM and AMD. Garth Henderson of AMD remarked that Management within Works at times, would deliberately boycott meetings with AMD or MFEM because they weren't happy with the requirements or conditions put in place for funding.
- 6.1.5 Henderson also remarked that the Works Management would delay the implementation of projects simply because they are not satisfied with the requirements imposed by central agencies such as MFEM and AMD or they are **not proactive** enough to improve their planning processes to meet funding requirements. Henderson further remarked that the Management within Works

have an **attitude problem**, not willing to change and make all kinds of excuses about the lack of funds and resources. This concern is also shared by other stakeholders.

Lack of Direction and Vision

- 6.1.6 Management within Works also lack direction and vision to drive the Ministry initiatives forward. This review has found that Management within Works **lack new ideas and initiatives** and are not proactive in finding ways to alleviate the issues it faces such as funding constraints. The performance of the Ministry, the productivity levels and the status of projects and initiatives managed and implemented by Works is an accurate reflection on the lack of direction and vision within the Ministry. Management within Works also lack the initiative to explore new ideas and methods to improve performance, service quality and technology.
- 6.1.7 Sector agencies such as Environment have also remarked that Works does not take the initiative to improve its planning and service delivery processes. Management at Environment have remarked that they've had to drive sector planning initiatives with Works to ensure the success of these initiatives. Most key stakeholders remarked that Management at Works lack direction and vision to drive the Ministry forward and to improve policies, systems and processes. The general feedback from the key stakeholders is that the Management at Works have tolerated their non performance and resource constraints and have not been proactive enough in exploring new options and workable solutions to improve the quality of service and performance.

Lack of Adequate Support from Government

- 6.1.8 This review has found that the culture of poor performance within the Ministry has also been fuelled by a lack of commitment and support from Government. For many years, the Ministry **lacked adequate funding and resources** to carry out its functions. They have not received the necessary attention and resources to improve their processes and systems. This review also found that some Ministry projects have been poorly managed and some projects are incomplete. Government has not provided all the necessary resources and funding to Works to carry out its functions to a reasonable quality. Government have not built the necessary capacity within Works to address development and operational issues.
- 6.1.9 Government has changed their priorities and vision for Works without acknowledging the purpose and role of the Ministry. This review has found that Works has undergone numerous changes which have impacted on the Ministry in terms of consistency in development, capacity building and service delivery. Sometimes the Ministry's focus would be on regulatory responsibilities and other times, it would be on service delivery and these **priorities keep changing** depending on the desires of the Government administration involved. The Ministry have also assumed projects like Waste Management without the necessary funding required for its operation. Tekao Herrmann, Waste Management Director remarked that the facility requires \$500,000 to operate on an annual basis but the amount they receive is only \$140,000.

Inadequate Management and Personnel Performance

- 6.1.10 What is evident from this review is that the performance of personnel within the Ministry and the public sector has not been monitored. The Public Service Commission (PSC) has been tasked to review personnel and more specifically, the management performance within the public sector. **Russell Thomas, CEO of PSC** remarked that they are aware that Management within the Ministry of Works has not performed. Thomas remarked that they have reviewed annual reports from Works and have noticed that objectives have not been met. Thomas further remarked that

Management at Works are not adjusting the objectives on the business plans when adjustments are made during the budget process, hence the reason for not meeting objectives.

- 6.1.11 Thomas also remarked that performance agreements are in place but the **performance systems and structures throughout the public service is not robust** enough to monitor and manage personnel performance. Thomas is of the view that there is a general lack of leadership and vision within public service which contributes to this overall lack of performance. Thomas stated that PSC does not have the capacity to effectively monitor personnel performance within public service and there are no follow ups conducted to address weaknesses and performance issues. Thomas further stated that their responsibility as PSC is to act as an agent for the Minister and assist in the monitoring and review of personnel performance. Management within public service more specifically, Ministry of Works report directly to their Minister.
- 6.1.12 When asked about purchase agreements between the Minister and the Management at Works, Thomas stated that purchase agreements do not exist between the Minister and the Works Management. Purchase agreements define the services that the Minister purchases from the Ministry and these services include policy and strategic management advice. With the absence of purchase agreements, the Minister of Works cannot determine if he or she is getting sound advice or value for money from the Ministry. This also means that the Works Management would not understand what they are required to provide to the Minister. Having no purchase agreement also means that the responsibilities specific to the Minister and the Ministry remain undefined and as a result, required resources needed in areas of policy are not improved.
- 6.1.13 Personnel performance within the Ministry is also an area of concern and the quality of the service provided is a clear indication that there is a problem. This review has found that **performance structures do not exist within the Ministry**. This means that personnel do not know what goals and objectives to achieve and how to achieve these and what resources are required and what timeframes to follow. The absence of a performance structure also means that there is no succession planning in place to encourage Ministry personnel to perform. With the absence of a succession plan, personnel have no career path to follow and there would be no incentive to perform or up-skill. The review has found that this culture of non performance at Works has compromised the overall direction of the Ministry.
- 6.1.14 Performance is also hindered by a **lack of capacity building** within the Ministry. Capacity building has been affected at Works because the purpose and the function of the Ministry keeps changing and priorities and resources are shifted. This review has found that the Ministry have tried to engage in capacity building in areas like policy but existing areas of weakness like systems and administration has not been addressed. The Ministry claim that they lack the resources to address weaknesses and to build the required capacity to deliver quality service. This review has also found that other sector agencies like Environment have built capacity in policy, monitoring and awareness and so a move for Works and Environment and other agencies like OMIA to merge as one sector ministry would allow capacity to be built and shared.
- 6.1.15 A weakness in personnel performance and capacity building is also plagued by minimal training initiatives. This review has found after reviewing Ministry annual reports that training initiatives have minimal alignment to ministry needs. Some personnel have engaged in training provided locally but these initiatives do not address ministry needs in areas of policy, systems and monitoring. The Ministry has created a computing unit and this has assisted in the areas of hardware maintenance but the systems issues are still lacking. Training initiatives engaged by

Works personnel focus more in areas of operation rather than areas of need. **Training initiatives** are also **individually driven** with limited linkages to career paths and succession planning.

6.2 Operational Policies and Systems

Lack of Adequate Policies and Procedures

- 6.2.1 Adequate policies and procedures are needed to better manage the management and operational activities within an organisation. This review has found that the Ministry of Works lack the adequate policies and procedures in place to manage their operations and to inform personnel on what is required. A range of Ministry documentations has been reviewed and a draft policies and procedures manual were discovered. When Ministry personnel were questioned regarding the policies and procedures manual, most were not familiar with the policies or did not know that the manual existed at all. The **Financial Controller, Tangi Taoro** remarked that the draft policy and procedures manual does exist but it has been in draft form for a very long time. Taoro also remarked that the policy advisor is responsible for creating the Ministry policies and procedures.
- 6.2.2 A quick review of the policies and procedures manual revealed that the manual covered a lot of human resource requirements is more suited to be implemented and managed by a human resource specialist. With the absence of a human resource specialist, the provisions within the draft policies and procedures manual will be difficult to implement and enforce. Taoro remarked that the **policies and procedures** in the manual were **complicated** and as a consequence, it was rarely understood, adopted and followed. The lack of adequate policies and procedures also compromises management and operational activities within the Ministry. This review has found areas of weakness in management and operational activities such as succession planning, capacity building and training has been compromised due to the absence of a policy.
- 6.2.3 Audit is of the view that PSC should be responsible for creating a public sector wide personnel management policies and procedures. This view is also shared by Priscilla Maruariki, Treasury Operations Manager at MFEM. Financial audits and special reviews have uncovered personnel deficiencies within public sector and the main cause of these deficiencies is the lack of personnel management policies and procedures. Policies and procedures do exist at the ministry level but they are not consistent with the provisions in the PSC legislation and across the public sector. If PSC implemented public sector wide personnel management policies and procedures manual, ministries like Works will be able to align its own policies and procedures to reflect PSC's policies. Personnel management within public service would also be more consistent.

Poor Internal Systems and Controls

- 6.2.4 This review has found that the Ministry of Works lack the adequate systems to better manage its operations and to provide reliable information and reports for planning and decision making. The review has found that most of the core functions within the Ministry like water, building control and roads have some form of system to manage their data but the problem has been the linking of these systems to each other and to external systems in the sector or within Government. These systems do not provide any information on historical data so it is difficult to analyse patterns or trends. The systems in place also have **poor reporting capabilities** and the information is not reliable because of **poor verification processes** and limited information updates. The systems within the Ministry are also **not centralised** which weakens the verification process and also creates more administrative processes.

- 6.2.5 This review also found that the administrative systems and processes within the Ministry do not collect and share data. Data is collected and utilised by individual divisions and that data is rarely shared to improve administrative processes. For example, if a client submitted a building or site plan to the building control unit, the information received as part of the plan is not passed on to other divisions like water, waste management and roads for an assessment or input. This information can also be assessed and utilized by other sector agencies like Environment, Energy, Health and Telecommunications. As a consequence, the client has to go to these individual divisions and agencies and present the same information to them. This creates more administrative work and data entry requirements and it impacts on the building process.
- 6.2.6 Reporting within the Ministry is also very poor. This review has found that monthly and quarterly reports do not exist and the half year and annual reports lack supporting data. The half year and annual reports state various achievements and milestones within the Ministry but there is no way of knowing if these really did take place. This review also found that half year and annual reports have been cut and pasted year after year and minimal adjustments have been made to the actual content of the report. The reports also lack adequate statistics to substantiate the operational activities engaged by Works. The report includes figures that represent how many building permits and survey plans were issued but it lacks the proper statistical analysis required to define trends happening.
- 6.2.7 The Ministry also manages their documentation very poorly. This review has found that records and documentation were inaccessible. As part of the review, project documentation has been requested but was never provided. The excuse for the lack of documentation was that they were either lost or misplaced. For example, the review team requested project documentation from the Waterworks Director, Ben Parakoti. Parakoti replied that the project documentation cannot be located. This is a major concern for Audit because project costing and tasks could not be verified as part of the auditing requirements and there is no way for Audit to confirm that money spent on projects was actually expensed correctly and within the Government financial guidelines.
- 6.2.8 **Poor documentation management** is also evident with the management of assets at the Ministry. This review has found that assets for projects and operations were recorded and combined together. It is our view that these assets should be recorded and accounted for separately to ensure that project and operational costs are accurately determined. This also ensures that the costing for projects and the assets acquired is sufficient and within budget. Previous audits and stock takes reveal that some assets are not recorded or included in the Ministry inventory records. Audit was unable to confirm whether these assets should be written off or included as part of the inventory records. This review also found that some Ministry assets and equipment are not secured and not protected from the elements.

6.3 Policy, Planning and Service Delivery

Lack of Planning and Coordination

- 6.3.1 Policy development and planning is a concern at Works. This review has found that planning at Works is uncoordinated. Planning is individualised meaning the initiatives come from the individual divisions themselves with minimal reference to national interests and priorities. This process is conducted with minimal interaction with other internal divisions and external sector agencies within Government and the private sector. Information and resources are rarely shared to assist in the planning process and as a consequence, the planning process becomes time-

consuming, lack supporting information, and at times, surpasses the funding deadlines. At times specialised equipment is needed to assist in the planning process or with projects, however equipment costs are either too high or the Ministry lack the capacity to operate such equipment.

- 6.3.2 This review also found that the policy development and planning of priorities and new initiatives is conducted with minimal interaction with internal divisions and external agencies like the central planning and policy unit at the OPM. Because communication is minimal, information and resources are rarely shared to substantiate and assist with forecasting and decision making. Elizabeth Koteka of OPM remarked that Ministries like Works have their own priorities and these priorities differ from the national priorities and interests. When it comes to policy development, the Ministry attempts to create policies without correlating the policy development process with OPM according to Koteka. As a consequence, there is a “disconnect” between the Ministry and central agencies like OPM and policies created are inconsistent and lack purpose.
- 6.3.3 Iaveta Short, policy advisor for the Democratic Party remarked that Works lack forward planning and also lack the expertise in policy analysis and development. The problem according to Short is that the Democratic Party has the manifesto in place which sets out the policy priorities for Government for their term in office but the implementation of these policies and priorities is carried out by the Management or Heads of Ministry (HOM) within the various Ministries. Short remarked that most of the HOM’s lack policy capacity and therefore do not implement the policies and priorities as outlined in the party manifesto. Short further commented that the HOM’s thinking is restricted to the Ministry level only and they fail to plan and share resources at the sector and the national level.

Lack of Policy Direction

- 6.3.4 The **lack of policy direction** within Government has also impacted on the way priorities and initiatives have been planned and implemented at Works. Key stakeholders have expressed their concern with the lack of policy direction within Government. Iaveta Short remarked that there is no policy direction within Government. Short remarked that the Democratic Party policy has been overlooked and this has taken place since the electoral process was completed. Short further commented that the policy direction shifted from the party manifesto to the individual ministry priorities. Short gave examples of shifts in policy direction by highlighting situations such as Government’s commitment to buy a ship and to build a multi sports complex. Short remarked that these priorities were never included in the party manifesto.
- 6.3.5 Other key stakeholders like Priscilla Maruariki of MFEM also remarked that Government lack policy direction. Maruariki remarked that **Government don’t have a policy on water, waste management, roads and infrastructure**. Maruariki also remarked that the absence of policies means that Ministry of Works will implement new projects and initiatives in an ad-hoc way. Policies give direction to the implementation agencies like Works and it allows them to formulate procedures as part of the planning, implementation, monitor and enforcement process. Maruariki further commented that policies determine the outlook of the budgeting framework. If there is an absence of policies, the budgeting framework will not be able to determine what resources are needed and where they are needed.

Poor Management of Projects

- 6.3.6 This review has found that the Ministry of Works has poorly managed some of the projects they have been involved in. Projects involving the upgrade of the Avarua foreshore area and the upgrade and construction of the new hospital building are just some of the examples that

highlight the weakness in project management skills within the Ministry. Don Dorrell, a design engineer and expert in foreshore protection has remarked that the planning of the Avatiu foreshore protection project made reference to obsolete reports and technology. Dorrell also remarked that the materials used for the foreshore protection is inadequate and non practical. Dorrell further remarked that the Management at Works do not listen to expert advice and do not keep up with the latest technology when planning their projects.

- 6.3.7 This review also found that the planning of projects has been poorly documented at Works and the processes involved do not provide the information and the support it needs. There is minimal interaction at the sector level and information and resources are rarely shared or acquired to assist the planning process at the Ministry. Poor documentation of projects is evident at Works and very little documentation is in place that can be used as references or guidelines for planning. The absence of project documentation also means that the project implementation tasks and costs cannot be determined and confirmed. Don Dorrell remarked that Works lack proper project management skills and experience to better manage and document their projects.

Unplanned and Reactive Responses

- 6.3.8 Unplanned and reactive initiatives are found to be common at Works. This review has found that a lot of the initiatives coming out of Works are reactive to problems that have arisen and they are implemented without the proper planning processes involved. These unplanned initiatives are difficult to forecast and analyse and they are usually not budgeted for. When unplanned initiatives are implemented, planned initiatives are delayed. At times, budgeted amounts for these planned initiatives can be compromised because the money and the resources have been taken up by unplanned initiatives. This review has also found that some of the unplanned initiatives are politically motivated and they are often prioritized over planned initiatives.
- 6.3.9 Management at Works have remarked that unplanned initiatives have caused an unnecessary burden on the Ministry especially on their budget. Management further remarked that the Ministry gets criticised because some of these unplanned or reactive responses are politically motivated. As a consequence, the Ministry's reputation is also compromised. It is our view that the Management within the Ministry has allowed for unplanned and reactive responses to take place. Politically motivated initiatives should not be tolerated and the Management within the Ministry should be firm and consistent about their stance on these initiatives. Contingency costs should also be included in the Ministry budget to allow for all initiatives to be covered.

No Sector Planning and Interaction

- 6.3.10 The policy and planning process at the Ministry is unstructured and ineffective. This review has found that policies and planning have **minimal linkage to national policies** and priorities. Management at the Ministry have minimal involvement in the formulation of national policies and as a result, they have limited understanding on what information and resources are required to effectively create and align ministry policies to national policies. Being removed from this whole process also means that the Ministry would also have minimal understanding of their role and responsibility at the Ministry level in terms of policy formulation and implementation.
- 6.3.11 The policy and planning process also have **minimal linkage to sector agencies** and initiatives. This review has found that structured policy and planning initiatives are a rarity within the Ministry and the sector. Management at Works have commented that they do plan with other sector agencies but the implementation of initiatives and projects still remain with the Ministry. It

is our view that these sector planning initiatives are just a “window dressing” exercise to inform the agencies involved on what is going on. Sector agencies like Environment confirmed that they have been involved in planning with Works but the planning process was ad-hoc.

6.3.12 With a lack of planning and coordination at the sector level, the planning process is further delayed because of lack of supporting information. The implementation of projects and initiatives also become time-consuming and unorganised and cost increases over time because work carried out don't meet standards and requirements set by sector agencies such as Environment. Delays and cost overruns also impact on the quality of the product or service and it also compromises the funding requirements set by agencies such as MFEM and AMD. It is our view that projects and initiatives to do with infrastructure should be planned and implemented at the sector level with one agency like Works driving the initiative. This would ensure that resources and costs are shared and that ownership and responsibilities are clearly defined.

6.3.13 The **lack of planning at the sector level** also means that projects and development initiatives have minimal direction or purpose and is not aligned to infrastructure goals outlined in the NSDP. This review has found that projects and initiatives implemented by Works have minimal linkages to national goals. Elizabeth Koteka of OPM remarked that initiatives derived from ministries like Works are not consistent with the national infrastructure goals. Koteka further remarked that because initiatives are not approached at the sector level, ministries like Works do not really know what and how to achieve and what is required and who should be involved. It is our view that planning at the sector level provides the link between the ministry and national interests and it also allows for some consistency in planning and implementation of initiatives.

Lack of Capacity

6.3.14 This review has found that capacity at Works is lacking in three main areas. These areas are **technical, policy and operations**. The technical capacity is lacking in areas such as systems and information gathering, monitoring and compliance, and quality assurance and technical standards. In the policy area, there is a lack of capacity specifically in the area of policy analysis, policy development and research. With operations, there are weaknesses in areas of financial management and analysis, systems administration and strategic management. It is our view that the lack of capacity in these specific areas has contributed to the overall lack of performance at the Ministry as reflected by the substandard service they have provided.

6.3.15 This review also found that most of the **management personnel** at Works have specialized skills in their respective fields but **lack management and policy analysis skills and experience**. For example, the Secretary of Works, Ata Herman and the Director of Roadworks Tai Nooapii, are both qualified engineers. Louis Teiti from Building Control is a qualified architect with years experience in building control. Tekao Herrmann from Waste Management is another qualified engineer along with Ben Parakoti and Tenga Mana. Works certain has capacity in the engineering field but their management skills and experience along with their project management experience is of concern and needs improvement.

Duplication of Functions and Resources

6.3.16 Duplication of functions and resources is a common finding in this review. It is our view that duplication exists because boundaries and responsibilities between agencies involved have not been clearly defined. It is clear from this review that functions and responsibilities at Works and Environment are similar in purpose. Environment has policies and legislation in place that

determines their outputs and activities and these activities are more regulatory and involve monitoring and enforcement. Works has similar regulatory responsibilities but lack the capacity and the policy direction to carry out their work. Awareness is another responsibility that both agencies share but only Environment has been proactive in this area.

6.3.17 With policy and project management, Works has similar functions and responsibilities with the Office of the Ministry of Island Administration (OMIA) but the only difference is that Works focuses on infrastructure needs for Rarotonga while OMIA focuses more on the Outer Islands. In this situation, Works has some technical expertise and experience in projects like roads and water supply while OMIA is in need of technical expertise in these areas. With policy, Works is suppose to monitor and enforce their regulatory requirements in the Outer Islands but have not been doing so. Environment however, has responsibilities and regulatory programs that also cover the Outer Islands and they have been enforcing their requirements accordingly.

6.3.18 When it comes to the designing of projects, the project development unit in AMD has the necessary skills and capacity to design and review infrastructure projects. Personnel in this unit have remarked that their role is to review project proposals submitted to MFEM and AMD. They also remarked that they have the project design capability and they are very familiar with technical standards and requirements in place and also understand the funding requirements. It is our view that the project development unit within AMD would add value to the project planning and design process both in Works and OMIA. Their expertise in project design and their understanding of technical and funding requirements would help agencies such as Works and OMIA plan their projects more effectively.

6.3.19 The management of specialised equipment is another area that all these sector agencies have similar responsibilities in. Works has the capacity to operate heavy machinery and OMIA is in need of experts in this area to train their heavy equipment operators in the Outer Islands. AMD has the expertise to source specialised equipment needed for Works and OMIA initiatives and their expertise in this area would certainly be helpful when Works and OMIA plan their projects. AMD is also familiar with the funding requirements at MFEM and will be able to assist Works and OMIA when sourcing equipment for projects. It is clear from this review that specialised expertise does exist within the various sector agencies mentioned. These skills and expertise will need to be mobilised to enable infrastructure projects and initiatives to move forward.

Preferential Treatment

6.3.20 Preferential treatment is a major concern that has been found at the Ministry of Works. Preferential treatment exists when those involved in the planning process are also involved in the decision making at the implementation stage. This review has found that Management at Works have **preferred certain suppliers** and contractors when requesting resources or service from the private sector. Suppliers such as Humes Industries from New Zealand are a preferred supplier for materials and equipment needed for most water works projects. S&T Contractors is a local contractor that is also preferred by the Management to carry out their service requirements for most water and roadwork projects.

6.3.21 Teariki Heather of T&M Heather remarked that they have been asked to submit tenders or quotes for projects and materials but they are rarely awarded the tender. Heather further remarked that Works maybe using their quotes to satisfy financial guidelines set by MFEM so they have stopped submitting quotes to Works for any projects. Management at Works have defended their actions and decisions by saying that suppliers and contractors are preferred

because their prices and the quality of the service fit the funding and service requirements at Works. They have also remarked that these companies are very familiar with the requirements and needs at Works and know what product or service to provide.

Conflict of Interest

6.3.22 This review found that conflicts of interest exist at the Ministry of Works. AllParts Limited is a New Zealand company owned by Bobby Tipokoroa and this individual happens to be the son of the late Tearii Tipokoroa, former Works Coordinator. AllParts has been providing parts and supplies for most of the equipment owned and managed by Works. The Director of Waterworks, Ben Parakoti is known to be an advisor for S&T Contractors and he has been involved in the Avatiu foreshore project. These arrangements at Works are a major concern to Audit because they involve public funds and proper Government financial policies and procedures have not been followed like tendering and sourcing of three quotes.

6.3.23 Senior management at Works have defended their actions and decisions by saying that suppliers and contractors are utilised because their prices and the quality of the service is compatible. They have also remarked that these companies are very familiar with the requirements and needs at Works. Management personnel also remarked that there are limited technical people in their specialised area that can provide technical advice hence the reason for their involvement in projects. It is our view that the reasons given by the Management at Works do not justify their actions and decision making. The Government financial policies and procedures are in place to ensure that financial dealings of any nature, by any person subject to the provisions in the guidelines should be contestable, transparent, accountable, arms length and without favouritism.

Allegations of Improper and Corrupt Practices

6.3.24 This review has found that some personnel at Works may have been engaged in improper and corrupt practices. It has been alleged that companies owned by some of the senior Management personnel have been known to **provide supplies and service back to the Ministry**. Two companies have been identified that provide service to the Ministry. They have been providing sand for a range of Works projects and have also been involved in clearing water intakes. These two companies also hire their machinery and equipment back to the Ministry when required. Tangi Taoro, the Financial Controller at Works stated that these companies have been providing supplies and service to the Ministry for a long time. Taoro also stated that Management at Works are fully aware of the activities engaged by these two companies and who is involved.

6.3.25 When asked about the Ministry's arrangement involving these two companies, Taoro remarked that most of the time, invoices were presented to the Finance Division requesting payment but the service or supply has already been rendered or provided. Taoro further remarked that they weren't able to verify if the actual service was provided or if the supply was actually received by the Ministry but trusted those involved in this arrangement. Invoices were sited as part of this review and the invoices have no specific references but only mention either Waterworks or Roadworks projects. With the absence of project documentation, delivery dockets and job sheets, the delivery of service and supplies could not be verified and confirmed.

6.3.26 These practices are a major concern to Audit especially because of the nature in which these arrangements were made and the alleged involvement of senior Management personnel. Audit is also concerned because public funds are involved in these arrangements and Government financial policies and procedures have not been adhered to. It is our view that Management at Works

should be setting the example for their own personnel and should not be engaged in these practices. Because of the sensitive nature of these arrangements and the people involved, Audit has decided not to mention any names in this review. A more detailed special review will be carried out by the Audit Office and the full details of these arrangements will be revealed.

6.4 Political Influence

Shifts in Priorities

6.4.1 Political influence and the impact it has on decision making is a common finding in this review. This review has found that politics has influenced decision making and has resulted in shifts in priorities. Management at Works have remarked that their priorities and funding are compromised because of political influence. Management also remarked that Ministers have exercised their authority and have ordered that resources or services be provided to areas as dictated. Management further remarked that Ministers have prioritised needs in their own constituencies with minimal consideration for the Ministry and national priorities. As a consequence, major issues and priorities have been overlooked which also compromises planned initiatives and it impacts on the ministry budget.

Party verses National Interests

6.4.2 Political influences also impact on which interest or priority is implemented. This review has found that **party interests** have been **the main priority** when it comes to deciding which area or problem to focus on or address. The problem with this approach has been that at times, critical needs like infrastructure are overlooked. Key stakeholders remarked that in some instances, the infrastructure needs in areas recognised by politicians as low party support areas are overlooked. Key stakeholders also remarked that the problem with prioritising party interests over national interest is that critical needs like water and roads are overlooked or potential opportunities are missed. This review has found that the majority of political priorities are centred on social responsibility initiatives which have very little return on investment.

Lack of Consultation

6.4.3 There is minimal consultation involved when political initiatives are implemented. This review has found that the planning of political initiatives has minimal input and decision making involved from the Ministry and decisions are usually made outside of the Ministry boundaries. There is also minimal input from the private sector in the planning and implementation process and the buy-in from the stakeholders is usually minimal. From a consumer perspective, there is no involvement and ownership except in cases where the initiative is earmarked for specific consumers and these consumers are the direct benefits of such initiatives. Political initiatives also lack adequate information to support such initiatives and to justify public funds spent.

6.5 Infrastructure Demands

Roading

6.5.1 The condition of the roads in Rarotonga is unacceptable. This review has found that the **main issues with roads are quality, repairs and maintenance**. Key stakeholders remarked that the condition of the roads reflect the priority and investment that Government has put into this service. The maintenance of the roads is not done properly and roads that are excavated for the purpose of installing other utility connections like power and water are not repaired or restored to

its original condition. Iaveta Short, Democratic Party policy advisor remarked that there is also no policy in place to ensure that the Ministry can charge for maintenance and repairs and that the consumer takes ownership by paying for these repairs. Short remarked that consumers may need to pay a bond when utility installations are done and this covers repair costs.

- 6.5.2 What is needed to improve the roads is a significant financial investment and total commitment from Government to fixing and maintaining the quality of the roads. Strong policies also need to be implemented and the Ministry would need to strengthen their monitoring and enforcement capabilities to follow up on these policies. The Ministry's responsibility in this whole process is to ensure that new roads and maintenance programs follow proper standards and requirements to maintain the quality and effectiveness of the roads. The private sector's responsibility is to ensure that they deliver quality and reasonable services and meet technical standards and funding requirements set by Works and other agencies.

Water Quality

- 6.5.3 The water supply and quality on Rarotonga is inconsistent. This review has found that the **main issues with water are quality, access and storage**. The upgrade of the whole Rarotonga water network is about seventy percent complete. The main areas that need urgent attention also happen to be the area that has not been completed as part of the water upgrade initiative. The area from the Ministry of Works in Arorangi to Avarua Bakery in Tupapa is the remaining area that needs to be addressed and areas like Nikao and Tepuka need urgent attention. Water storage is also lacking and this puts a lot of pressure back on the current water network. Reservoirs constructed for storage purposes are no longer in use and water tanks for houses are not mandatory because the building code does not impose it.
- 6.5.4 What is needed at this time to address the water issue is policy direction and financial investment from Government and strong monitoring and enforcement from Works. The Ministry will be required to monitor the upgrade of the water network to ensure that standards and requirements are met. They are also required to create and enforce a water policy to ensure that water usage is monitored and water wastage is minimised. The building code needs to be changed and water tanks, roof catchments and proper filtration systems need to be compulsory. The private sector is a partner in this arrangement and they are required to provide quality products and service to satisfy demands and meet standards and requirements. Consumers play an important role in this whole process and they need to comply with required standards and minimise wastage.

Waste Management

- 6.5.5 Waste management is a growing concern for Rarotonga and the rest of the country. This review has found that the **major issues surrounding waste management is the lack of proper recycling systems**, lack of awareness and defined responsibilities and the lack of adequate facilities. The waste management facility in Arorangi is not operating to its potential and the majority of the materials dumped at the facility should be recycled. Tekao Herrmann, Director of Waste Management at Works remarked that there are issues with the construction and the operation of the facility and resources and funding is inadequate to properly manage the facility.
- 6.5.6 To improve the waste management situation, policy direction and financial commitment is needed from Government. Strong policies are needed for recycling and Government needs to provide the resources to make it happen. Changes in the building code are also needed to allow for changes in the storage of sewage. The Ministry of Works need to create and enforce policies and they also need to strengthen their awareness initiatives to ensure that policies are clearly understood. There

are opportunities for the private sector to participate in waste management but Government needs to be a committed partner to ensure that funding is dedicated and enforcement is carried out. The consumer's role is very important in this whole process and they need to understand their responsibilities when it comes to managing their waste.

7.0 What is the Best Way Forward?

7.1 Restructure and Decentralise

Review Decentralisation Models

Privatisation

7.1.1 It is our view that if changes need to be made to enable improvements in quality and service delivery at Works, then a comprehensive restructuring exercise needs to take place. Part of the restructuring program will include a review of decentralisation models like privatisation and corporatization. With Works, the privatisation initiative **will only be required for the service delivery functions** while they focus on regulatory responsibilities like policy and planning, monitoring and enforcement and awareness building. With privatisation, Government is still involved in the decision making process and they need to be because they have the policies and the legislation. They will also need to provide adequate funding and support to make this work.

7.1.2 Key stakeholders have remarked that privatisation provides competition and competition improves quality and it generates business activity in the private sector. Privatisation also provides opportunities for skilled and specialist experts to participate. Key stakeholders also remarked that the private sector is capable of providing quality products and services to assist Ministry and infrastructure initiatives. Regulatory responsibilities need to remain with Government because the private sector does not have the mandate to impose legislation and policies. Fiscal commitment from Government is needed to ensure that adequate resources are allocated for regulatory and service delivery responsibilities. The key stakeholders remarked that financial arrangements like the introduction of an infrastructure tax or a user pays system is needed to provide the required funding to support and guarantee service delivery.

Tax, Incentives, and Levies

7.1.3 A **tax for infrastructure** and a user pays system will be a sensitive issue for Government to deal with because of the negative perception it carries. However, with the condition of infrastructure at this time, there is no question that a commitment from Government and the consumer is needed to ensure economic growth and development initiatives continue. This review has found that with taxes, the **impact on the consumer will be less** and the administration costs will be lower, however, there is concern that higher usage consumers like businesses and accommodation providers will not be paying according to their usage volumes and low usage consumers will be sharing the burden. The tax option will need to be fair and practical to all users and it may need to take usage volumes into consideration and impose taxes accordingly.

7.1.4 Another option is to provide **tax incentives** or **rebates** for consumers that **take the initiative to reduce usage** or **introduce new technology** and practices to minimise the impact on the infrastructure and the environment. Incentives for water tanks, sewage treatment facilities, recycling resources and environmentally friendly products are needed to stimulate activities in this area and to lessen the impact on the environment. Levies may also be needed on imported goods

that are harmful to the environment to assist in the disposal cost of these goods. It is our view that taxes, incentives and levies have less administrative requirements and it has a lesser impact on consumers. These income generating methods also ensure that a commitment is made from consumers to enable Government to commit to infrastructure development.

User Pays

7.1.5 The user pays system is an option that is gaining momentum. The corporatization model would need a user pays system to sustain its operation. User pays ensures that consumers pay for their usage and this income is utilised to sustain the operations of a corporate body. The problem with user pays is that it has a **greater impact on the consumer** and those who cannot afford to pay won't pay. Government's purpose of social responsibility is redundant if people are denied the service. We also **lack the population** to sustain user pays. User pays also has **high administrative costs** and it **requires strong monitoring systems** like water meters to determine the cost to the consumer. It is our view that although user pays allows consumers to take responsibility; provisions do need to be made for the elderly and low income earners.

7.1.6 It is our view that the user pays system **needs appropriate legislation, policies and systems** to ensure its implementation is effective and consistent. To be effective, the systems, administration, personnel and resources need to be in place to support and enforce such initiative. Products and services need to be identified to see which of these would be used for user pay purposes. Clear responsibilities also need to be defined and adequate consultation is needed to inform stakeholders involved of their responsibilities. Positive awareness also needs to be created to ensure buy-in from all stakeholders involved is received. To implement an effective user pays system would be costly and time-consuming but it may be necessary depending on which model the Government wants to adopt in the medium to long term.

Corporatization

7.1.7 This review has found that corporatization at Works would require a change in the management and operational structure. Strong management and technical expertise is needed to define core regulatory responsibilities, to identify and develop income generating opportunities and also to devolve peripheral services to the private sector. The development capacity and sustainability of the corporate will be determined by its income generating capacity and this is where a user pays system would benefit such a setup. The problem with corporatization in this case is that the **infrastructure sector is not really a money earner** and it is more of a social responsibility for Government. Corporatizing Works and expecting them to continue providing services without private sector input will impact on competition and quality because the private sector will not have the opportunity to compete, generate business and improve quality.

Implement a Change Management Program

7.1.8 To initiate change within Works and the infrastructure sector, a change management program should be implemented. This program is required to **allow changes within Works and the sector to take place in an orderly manner**. Strong and competent management is required to drive this change process forward and the support from Government is critical to ensure that the changes are supported with the appropriate policies, legislation and resources. Clear timeframes with appropriate tasks and objectives are needed to provide the direction for change and these needs to be communicated effectively. The change management process will also provide a structure for changes in Ministry and sector responsibilities, personnel and services delivered.

Define Functions and Responsibilities

- 7.1.9 After a review of decentralisation models, the functions and responsibilities need to be clearly defined to determine the purpose and direction of Works and the infrastructure sector. This review has found that Works needs to **focus on regulatory functions and responsibilities** like policy development and planning, monitoring and enforcing policies and legislation and creating awareness and educating all stakeholders of their responsibilities. Strong systems and processes also need to be in place to enable effective monitoring to take place. It is our view that the regulatory functions and responsibilities will be more effective if the sector based approach is adopted and sector agencies in the infrastructure sector combine their resources and efforts. Costs also need to be determined to assist with the adjustments in functions and responsibilities.
- 7.1.10 The timeframes of these adjustments in functions and responsibilities must also be determined. It is our view that **short term changes** should include **operational and system** changes along with changes in **management and personnel**. The sector integration and the creation and strengthening of policies and legislation and the definition of regulatory and service delivery functions are long term objectives. Government will be responsible for policy and direction along with providing funding while the sector agencies focus on regulatory responsibilities and provide information, resources, technical standards and requirements. The private sector will be required to deliver the service according to technical standards and requirements set by the sector agencies. The consumer provides feedback on quality and the effectiveness of the initiative.
- 7.1.11 The advantages and disadvantages of these changes need to be discussed and understood by all. The **advantage of the sector based approach** is the **cost savings** involved when combining services, resources, systems, information and personnel. There would also be consistency in policy and planning and less administration when functions and responsibilities are streamlined. The consumers benefit from **streamlined operations** because there would be less administrative requirements for infrastructure and development. Stakeholder buy-in is better achieved because more than one agency is involved. The **risk is shared** among the stakeholders involved and more people will take ownership of the issues that may arise. The disadvantage to these changes would be the reluctance of people to change and their possible lack of understanding on what is required. The lack of commitment from Government is a threat that needs to be managed.

Decentralise Outputs and Services

- 7.1.12 Part of the decentralisation process would include identifying regulatory functions that would remain with the Ministry and devolving service delivery functions to the private sector. This review has found that three outputs can be decentralised in preparation for regulatory functions and privatisation. These outputs are **roadworks, waterworks and waste management**. It is our view that the whole output should not be privatised but only the service delivery functions like the sealing and maintenance of roads, the installing of new water connections and the cleaning of water intakes. A review should also be conducted to see if the waste facility in Arorangi can be privatised. The waste collection is already privatised but the implementation of a comprehensive recycling program is needed to organise the management of all wastes.
- 7.1.13 Clear standards and requirements are needed to assist the Ministry and the service providers when managing their responsibilities. The regulatory functions will need clear technical and administrative guidelines while the service delivery functions need clear requirements for quality, materials, equipment, and service. An action plan is needed to implement these new requirements. The plan would include the determining of policy and legislative requirements, determining

resource requirements, consulting with all stakeholders and outlining an implementation timeframe. Service arrangements need to be reviewed to include the registration of all interested service providers from the private sector. Registration is necessary to ensure that due diligence is carried out and that the service capacity is realised.

- 7.1.14 The regulatory capacity of the Ministry and the sector will need to be supported by strong monitoring systems. Policies and procedures also need to be in place to support the monitoring and enforcement process and to also provide some guidelines on what and how to monitor. Building regulatory capacity also includes training, up-skilling, and possibly recruiting specialist personnel to setup the monitoring and enforcement systems and processes and to conduct specialised training when and where needed. Sector agencies like Environment have built capacity and experience in a regulatory role and this will certainly add value to this whole change management process with Works and the whole infrastructure sector.

Privatise Service Delivery Functions

- 7.1.15 Part of the restructuring process would need to include the privatisation of service delivery functions within Works. Privatisation opportunities exist at Works especially within the three decentralised outputs of **roads, water and waste management**. Key stakeholders have remarked that the **private sector have the capacity** to delivery services for the sector and Ministry and should be given the opportunity to do so. Key stakeholders also remarked that discussions with the private sector need to take place to define specific roles and responsibilities, determine implementation timeframes and to identify capacity and resource needs required for privatisation. Part of these discussions would also require quality standards to be determined along with service delivery timeframes and reporting requirements.

- 7.1.16 An action plan is also needed for the privatisation process. Deadlines need to be created and confirmed with all parties involved. Objectives need to be clearly set and agreed upon by the sector agencies and service providers involved. Resource requirements also need to be determined to allow for an efficient transition process to take place. Key stakeholders have remarked that the privatising of service delivery functions at Works will allow the Ministry and the sector to strengthen their monitoring and enforcement systems and processes. This would require the determining of appropriate processes and requirements for monitoring and enforcement and the setting of monitoring timeframes. Monitoring and enforcement would also require trial periods to be implemented to allow service providers and sector agencies to adequately operate new systems and requirements and to identify and address any issues.

Up Skill Human Resources

- 7.1.17 The sector agencies would be required to up-skill their personnel to meet the new demands and requirements as part of the restructuring and privatisation process. This review has found that appropriate personnel are needed in areas of **management, policy and planning, technical systems and processes, monitoring and enforcement and awareness and administration**. The restructuring and the decentralising of outputs would also mean that there may be excess personnel in areas where service delivery will be privatised. To address the excess in personnel, a transition process needs to be implemented to manage the change in personnel requirements. Training initiatives will need to be implemented to allow personnel to train in areas where capacity is lacking. The merging of sector agencies may also provide opportunities for personnel to seek employment opportunities within the sector agencies involved.

- 7.1.18 The private sector has remarked that the privatising of service delivery functions at Works would mean that they will be able to provide employment to Works personnel to allow them to build capacity in preparation for service delivery opportunities. Teariki Heather of T&M Heather remarked that they are prepared to assist by providing employment opportunities to Works personnel as required especially in areas of roading. Heather remarked that they have been engaged in this process before when the quarry was privatised. Heather further remarked that the personnel that they assumed were grateful for the opportunity to work in the private sector environment because the opportunities to learn new skills and utilise new technology was available. Acquiring personnel from Works also allows the private sector to utilise their skills.
- 7.1.19 Mark Brown of the Chamber of Commerce remarked that privatisation will allow the private sector to provide employment opportunities for personnel at Works especially those that have specialised technical skills, qualifications and expertise. These skilled personnel from Works and other sector agencies will be able to utilise their institutional knowledge in technical areas. They will also assist the private sector in understanding some of the technical requirements.

Implement Twinning Program

- 7.1.20 The restructuring process and the redefining of responsibilities within the infrastructure sector and the Ministry of Works require the introduction of new systems and processes to support the sector's new regulatory role. This review has found that the sector's regulatory systems and processes will need to be developed and strengthened to allow for effective monitoring and enforcement to take place. This review also found that the capacity and resources to develop new technical systems and processes may be lacking and may need to be sourced from donor partners such as New Zealand and Australia where infrastructure systems are well established. In New Zealand for example, Public Works has been privatised and companies such as Transit New Zealand has been established to manage transportation requirements like roads.
- 7.1.21 The infrastructure sector and Works would need to develop strong technical systems and processes to effectively monitor infrastructure. **Specialised skills and expertise** may need to be introduced by way of a twinning program where expertise from New Zealand or Australia is obtained through donor funding initiatives. Government and the infrastructure sector agencies will need to negotiate with donor partners and agencies like AMD, NZAid, and AusAid to see if a twinning program can be initiated to support infrastructure development initiatives. Resource needs will have to be defined in areas such as infrastructure management, monitoring and enforcement systems and processes, quality assurance and administration. Objectives will also need to be defined to determine what the initiative expects to achieve and timeframes involved.
- 7.1.22 Part of the twinning program would require the identification of skills and technology needed and also the recognition of local and overseas partners like specialist companies involved in infrastructure, trade schools and polytechnics, and service providers here and overseas. The purpose of identifying these companies and institutions is to allow these organisations to participate in our capacity building initiatives and to allow our local experts to receive specialist training and exposure to their systems, processes and training initiatives. Scholarship initiatives can be introduced as part of the twinning program or experts from New Zealand or Australia can come here on trade off arrangements and assist with the setup of new systems and processes as well as assist with the required training initiatives.

- 7.1.23 **Public-private partnerships** between local and overseas companies can also be arranged as part of the twinning program. This gives the local companies interested in service delivery areas of roads, water and waste management the opportunity to setup joint venture agreements with overseas counterparts to allow for new technology, systems, processes and training initiatives to be introduced. Companies with years of experience coming into these arrangements also bring with them a wealth of knowledge, experience and strong credibility. Credibility adds value to local companies and it will assist them in their development efforts. These arrangements need to be carefully managed to enable the local counterpart to develop the required capacity to better deliver their services and also to sustain their operations over time.
- 7.1.24 These joint venture agreements need to have clear goals and direction in place to ensure that both parties understand their role in these arrangements. Resource requirements need to be determined and timeframes need to be clear also. Specific roles and responsibilities need to be defined to ensure that all parties involved have a clear understanding on what they are required to do, what their responsibilities are and what resources they need. These joint venture arrangements also need to be worthwhile to attract overseas companies into our market and that means that **service contracts** need to be a **minimum of at least five years**.

7.2 Institutional Strengthening

Management and Performance

- 7.2.1 Works and the sector agencies involved in infrastructure will need to build management capacity to allow them to drive the restructuring and change management process ahead. Management capacity can be developed by recruiting the required skills and experience needed to facilitate the change management process and to identify areas of need and resources required. Key stakeholders remarked that the new management setup would need to have strong skills and experience in policy development and strategic planning, regulatory systems and processes, and relationship management. With the right management personnel, the policy and planning process will improve and the decision making process will be robust. The sector relationships need to be managed efficiently to allow compatibility issues to be addressed and also to allow resources to be managed economically. Overall, the infrastructure sector will need management that can develop and understand goals and outcomes that are consistent to the goals in the NSDP.
- 7.2.2 Management requirements need to be structured into **performance and purchase agreements**. This would mean that the appropriate competencies and performance indicators need to be in place and the performance monitoring needs to be effective. Key stakeholders remarked that agencies such as PSC and the Minister responsible for the infrastructure sector need to be consistent in monitoring the sector and management performance and also need to follow up and address areas of weakness. Performance agreements need to have properly defined requirements where goals and objectives are determined and the relevant tasks, timeframes and resources are in alignment. Performance reviews need to be structured to allow Strengths, Weakness Opportunities, Threats (SWOT) and cost/benefit analysis to be conducted on sector performance, new initiatives and projects. These reviews would also need to determine if funding allocations and timeframes are applicable to the assigned areas or initiatives involved.
- 7.2.3 Part of the review process would include the review of forecast, performance and project reports. These reports would give a clear indication on how effective the policy and planning process along with the implementation and monitoring process really is. This review process would also

reflect on the effectiveness of management in facilitating resources, personnel and systems as part of the overall management and performance process. Part of this review process should include a remedial process where sector agencies involved along with monitoring agencies like PSC and the Minister come together and discuss, document and address issues and implement practical solutions. The issues at Works and in the sector have been in existence for too long and very little has been done to address them. The sector approach and strong review processes will be needed to reverse these issues and apply applicable solutions when and where needed.

7.2.4 The monitoring and review of performance whether it is the ministry or management would need to include the review of performance reports such as financial statements, ministry forecast reports and project reports. Supporting documentation also needs to be reviewed and these include policies, business plans, strategic plans, monthly, quarterly, and annual reports. Project deadlines are important because they give a clear indication if projects and new initiatives are planned and implemented effectively. Consultation with various groups like the management and personnel within the infrastructure and economic sector, the service providers in the private sector and the consumers provide valuable insight into the performance of the sector, ministry and the management. It is our view that performance reviews at Works have been lacking and the relevant decision makers like the Minister have been ill-informed on performance issues.

7.2.5 Purchase agreements need to be implemented to allow the Minister to purchase required services from the Ministry or sector and to be informed effectively. These services include policy and planning advice, technical advice, strategic management advice and financial and performance analysis. Performance requirements need to be identified to allow targets to be set with applicable resources and timeframes. Information requirements also need to be identified to determine what reports are needed. Tasks and objectives need to be recognized to determine what processes are involved. It is our view that purchase agreements need to be structured into the performance review process to allow the relevant information and responses to be reported to the Minister. This empowers the Minister to make sound decisions on behalf of the sector and it prepares them to be proactive in acquiring more resources and funding if and when required.

Policies and Legislation

7.2.6 The management and operation of the sector and the relevant agencies involved would need strong policies and legislation in place. This review found that three policy areas need to be reviewed and updated to support the change management process at Works and the sector. Operational policies and procedures need to be reviewed to allow for succession planning and capacity building to take place. Operational policies and procedures also need to provide guidelines for systems and administration requirements. Government **policies specifically in areas of water, roads, and waste management** are needed to provide policy direction and guidelines for the sector agencies and ministries involved. Government policies will be supported by sector policies which would enable resource and information sharing to take place. This also ensures that costs and responsibilities are shared by the sector agencies involved.

7.2.7 **Legislation also needs to be refined** to support policies and procedures especially when the sector agencies like Works and Environment start to monitor and enforce new technical standards and requirements. Key stakeholders have remarked that legislation is in place to support infrastructure development initiatives but the implementation agencies like Works lack the enforcement systems and processes. This review has found that Environment has legislation in place and has been proactive in monitoring and enforcing their legislation. Streamlining their efforts with other sector agencies like Works will only strengthen their enforcement processes.

The new setup for Works and the other sector agencies would require specific legislation and policies for monitoring and enforcement. Technical standards need to be monitored and enforced and the applying of the relevant policies and legislation needs to be consistent.

- 7.2.8 Service providers also need to be adequately consulted on these policies and legislative requirements to allow them time to build capacity and comply with these requirements. If standards and requirements are not met by the service providers, appropriate penalties will need to be enforced and its application needs to be consistent to allow regulatory agencies like Works and Environment to maintain control of their policies and legislative requirements. It also creates awareness within the infrastructure sector that quality is not to be compromised at all costs. The private sector will need to be aware that service contracts can be voided if non compliance continues or if actions and practices are deliberate or inconsiderate. There will need to be a trial period implemented to allow service providers time to comply with service requirements and to address issues.
- 7.2.9 The formulation of these policies and procedures need to be a **consultative process**. Relevant sector agencies like Works, Environment, and OMIA need to be involved in this process. This review has found that relationships between sector agencies need to be formalised to allow for consistency in policy and planning initiatives. These relationships also allow information and resource sharing to take place and for ownership to be assumed by more than one agency. The consultation process also needs to include the private sector. Because the private sector will be responsible for the service delivery requirements under the new setup, their viewpoints and experiences would certainly add value to the policy formulation process. Part of this consultation process with the private should include the registration of all service providers which would allow them to buy-in to the whole planning and policy development process.

Systems and Processes

- 7.2.10 With strong policies and legislation in place, the establishment of adequate systems and processes is the next step in strengthening the functions and responsibilities of the Ministry and the sector agencies involved. Internal controls need to be improved and strengthened to allow for adequate systems and processes to be implemented. This review has found that systems specific to **finance, projects, administration and regulatory functions** is required to improve the collection and processing of data and information to support decision making and to aid the planning and implementation process. Processes such as the reviewing of project sign offs and job sheets, verification of financial transactions like purchase orders, registration of service providers and due diligence are some of the examples of processes that need to be implemented to verify and confirm that tasks have been followed and standards have been met.
- 7.2.11 What is also important to enable processes to flow is a proper authority and approvals process. Adequate approvals for projects and new initiatives are needed to ensure that standards are followed and financial policies and procedures are adhered to. To satisfy requirements before an approval is granted, national and sector plans and objectives, project documentation, policies and procedures, financial statements, and third party agreements need to be reviewed and understood. Supporting documentation like annual reports, business plans, stock take reports and audit reports provide useful insight on the progress of projects and the performance of the ministry and it also reflects trends and demands that the ministry and sector agencies have to prepare for or deal with. Overall, the Ministry and sector need to strengthen its internal controls, improve documentation systems and processes, and improve their reporting capacity.

7.2.12 The reporting capacity will be enhanced if adequate systems are in place and if they are integrated within the ministry and the sector agencies involved. Internal systems at waterworks, roadwork, building control, and waste management need to link to inventory, financial and administration systems within the Ministry or sector. These systems also need to be linked to systems operated by Environment, OMIA and possibly MFEM. The linking of these systems will allow information to be collected, processed and shared among the different agencies and divisions involved. It also improves the reporting capacity and the decision making processes. The effectiveness of systems is only as good as the data collected. Data collection also needs to be reviewed and strengthened to ensure that these systems are collecting, processing and reporting useful, reliable and up to date data.

Monitoring and Enforcement

7.2.13 Once the policies, legislation, systems and processes are in place, monitoring and enforcement can be effectively carried out. This review has found that to support monitoring and enforcement efforts at the ministry and or sector level, appropriate technical standards and requirements need to be defined. These standards and requirements are needed for service delivery arrangements, resources management, costs and forecasting, environmental and social impacts and it should also include appropriate timeframes and deadlines. Because the regulatory responsibility belongs to the sector agencies including Works, all agencies involved will need to understand what the monitoring and enforcement standards and requirements are and what their responsibilities include. The private sector would also be required to understand the standards and requirements that will be monitored and enforced because they need to comply to them as they deliver service.

7.2.14 The **defining of technical standards and requirements** is also needed and examples of standards are the aggregate sizes for different purposes, bitumen quality, resource requirements and a profile on how these resources should be compacted. Standards also need to be determined for water and this includes the procedures and types of materials and supplies required for connections, repairs and testing. Waste management requirements would need to be defined and this would include the collection, storage, disposal and recycling of waste. The process of defining technical standards needs to be a consultative process. The private sector, the sector agencies and specialists in infrastructure development and management need to come together and clearly define the required standards and procedures needed along with required resources, equipment and responsibilities.

Quality Assurance and Penalties

7.2.15 To assist the private sector in their service delivery responsibilities and to ensure that Government and the sector get value for money from the service rendered, the standards and requirements followed by the private sector need to reflect quality. **Quality materials need to be defined as part the standards and requirements** and service providers need to utilise these materials to ensure that a quality product or service is achieved. Meeting project deadlines and service timeframes also need to be defined to ensure that the service providers plan their service activities and comply with the planned timeframes. The standards and requirements, the type of materials required, and the timeframes and deadlines involved are critical to the service delivery arrangements between the Ministry, the sector and the service providers involved and it needs to be clearly stipulated in the service contracts.

7.2.16 If standards, requirements, timeframes and deadlines are not adhered to according to the service contract, the Ministry and the sector would have the authority to **impose penalties**. These penalties will need to be agreed upon by the Ministry, sector agencies and the service providers and it would need to be included in the respective policies and legislation. The consultation process required for the drafting of service contracts, new policies and the strengthening of legislation will give all stakeholders involved including the private sector, the opportunity to comment and state their position. The consultation process would also involve the confirmation of an implementation plan which would dictate when these new standards and requirements are to be implemented. Grace periods will need to be implemented to allow the sector enforcers and the service providers the time to really test the effectiveness of the standards and requirements and also to ensure that the relevant systems and processes are in place.

Human Resource Development

7.2.17 To support and sustain quality services within the sector and the ministry, human resources need to be developed and strengthened. The function and the responsibility of the ministry and the sector need to be defined. From there, the organisational structure needs to be reviewed and adjusted to reflect the proposed changes in the ministry and the sector. Specific skills and expertise is needed in the areas of management, technical, policy and planning, operational, regulatory and research. **Succession planning and capacity building** needs to be part of the human resource development process and it needs to be included in the ministry planning initiatives. This should also define and determine other initiatives like recruitment and training. Specialist technical skills need to be developed to strengthen the infrastructure planning, development and management initiatives.

7.2.18 This review has found that specialist skills are required to strengthen the regulatory capacity of the ministry and sector especially in areas to do with water, roads, waste management, monitoring systems and quality assurance. **Operational skills** are needed in areas of **financial management** and administration. Skills in the management of records and project documentation need to be improved to allow the ministry and sector access to these records for reference and planning purposes. Inventory management expertise is also needed to ensure that supplies are readily available to support operational activities. For policy and planning purposes, policy formulation and analysis skills is needed to ensure that national policies are interpreted effectively and it is amalgamated into the policy formulation and planning process at the sector and ministry level.

7.2.19 **Research skills** can assist the sector and the ministry prepare for changes in functions and responsibilities. Research skills in areas of legislation, policy and planning, infrastructure development and management, regulatory systems and processes, and sector integration are just some of the areas where research can add value. New initiatives can also be identified or confirmed through research. The sector and the ministry can acquire research capabilities by linking with the Cook Islands Research Association and the Research Unit established at the OPM office. These associations facilitate in-country researchers or those that would like to conduct research in the country. The sector and the ministry need to identify areas that would need to be researched and register those areas with the two associations. The research topics are then published and researchers would register their interest based on the published topics.

7.2.20 Areas of need that would require specialised training and capacity building would be in technical standards and requirements, monitoring and enforcement, systems and administration, and policy

and legislation. This review has found that the sector agencies and the ministry would be required to develop relationships with the financial and law and order sector to allow for consistency in implementing Government financial policies and procedures and interpreting and implementing legislation. Relationships with the Ministry of Education and the National Human Resource Development (NHRD) need to be established to allow the sector and ministry training initiatives to be organised and delivered effectively. Relationships also need to be established with donor partners to allow the sector and ministry to be engaged in the twinning program where skills and expertise can be introduced and encouraged through donor assistance.

- 7.2.21 The sector and the ministry also need to define personnel goals and objectives which should be linked to the ministry, sector and national goals and objectives. This approach also supports initiatives like succession planning and capacity building and also links the career goals and aspirations of personnel into this whole process. Once the personnel goals and objectives are interlinked into the ministry, sector and national goals, performance appraisals can then be structured to reflect these goals and objectives. It is our view that performance appraisals need to be factored into the planning and operational activities of the sector and the ministry. Appraisals will assist the sector and the ministry identify strengths and weakness within personnel and it allows them to identify ways of capitalising on these strengths while addressing the weaknesses. Appropriate training initiatives will then be recommended to address weaknesses.

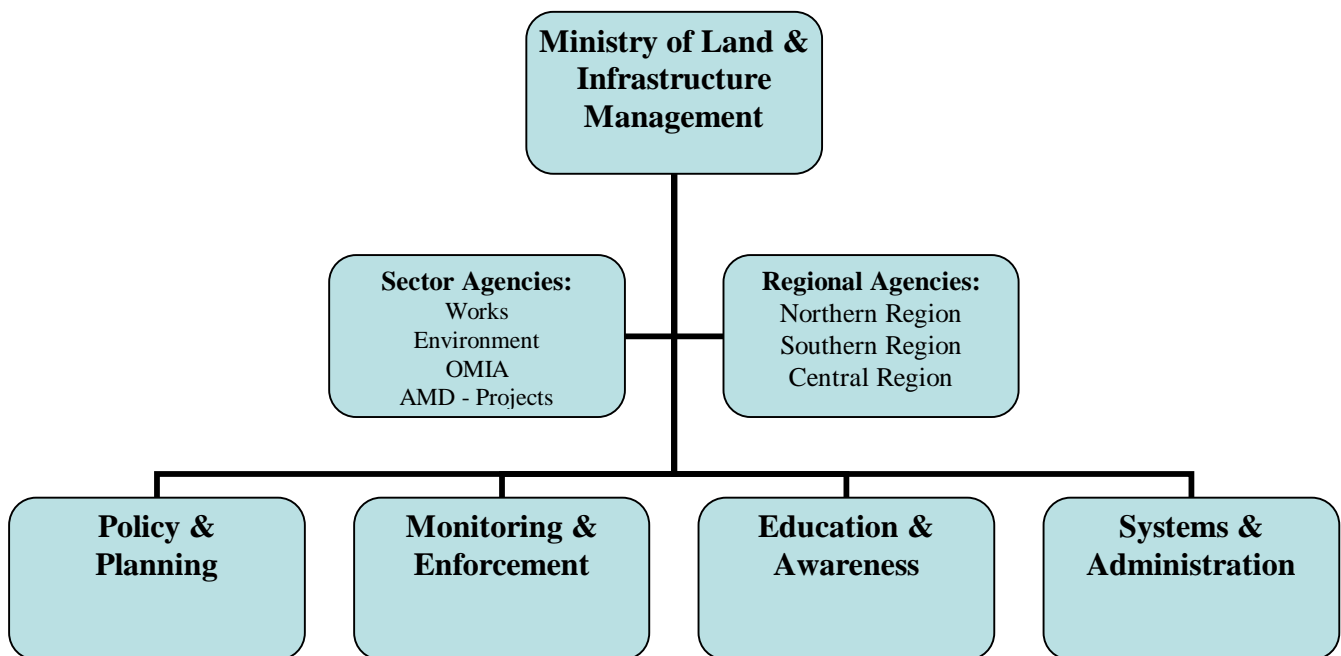
7.3 Responsibilities and Requirements

Define Responsibilities

- 7.3.1 Institutional strengthening is to prepare the ministry and sector for their regulatory responsibilities. Key stakeholders remarked that the Ministry of Works should **focus mainly on regulatory responsibilities**. The responsibility would include monitoring and enforcement of technical standards and requirements. The sector and the ministry need to ensure that services that are delivered by the private sector follow the appropriate standards and requirements and proper materials are utilised. Policies for water, roads and waste management would assist the sector and the ministry in their monitoring efforts. Systems will be required to process required data and the sector and ministry can utilise this for analytical and statistical purposes.
- 7.3.2 Review processes also need to be structured to allow the sector, the ministry and the service providers to make adjustments or improve processes to ensure that standards are followed and maintained. Reviews are also helpful for policy and planning initiatives which is another regulatory responsibility for the sector and the ministry. Reviews will help identify if standards, policies, procedures and systems are effective in assisting with monitoring and planning process. From there, policies may need to be improved. New initiatives such as a new process or the use of new technology or methods are also derived from the review and planning process. These initiatives can be derived or implemented within the sector to improve monitoring and planning.
- 7.3.3 **Awareness** and education is another regulatory responsibility that will need to be enhanced and maintained. The success of monitoring, enforcement, policy development and planning is enhanced and supported by awareness initiatives. Strong and effective awareness initiatives ensure that buy-in and support is received for environmental protection and infrastructure development programs. Awareness also allows the consumer to be properly informed of their responsibilities in this whole regulatory process. It also gives the private sector the opportunity to get involved and assist the sector by demonstrating applicable practices to improve initiatives like recycling, waste management, and water preservation.

7.3.4 Appropriate systems and administrative practices will assist and enhance the regulatory responsibility of the sector and ministry. Systems implemented should manage permits, contracts and service requests to ensure that the required information is inputted and included before it is approved by the sector and ministry. Financial management systems need to be linked to these systems to ensure that proper approvals are granted and payments are received. Financial management systems also need to include inventory systems to allow the ministry to purchase and manage their equipment appropriately. File management systems are also required to ensure that project documents, financial records, research documents and policies are managed properly. These documents are critical for planning, research and auditing purposes.

Proposed Management Structure



Management at the Sector Level

7.3.5 The restructuring and institutional strengthening initiative will allow for changes and initiatives to be implemented at the sector level. Key stakeholders have strongly recommended that the infrastructure sector needs to be established to include the functions and responsibilities of the Ministry of Works, Environment, OMIA and possibly the project development unit from AMD. This approach would ensure that the regulatory responsibilities like planning and project design, policy development, monitoring and enforcement, and awareness is consistent and implemented effectively. There would be **less administration** involved because operational processes and requirements will be streamlined.

7.3.6 The sector based approach would also allow for **improvements in policy development** and implementation and at the same time, reducing duplication. This review has found that sector agencies like Environment has the regulatory capacity to support the proposed regulatory role required for the infrastructure sector and their policies and legislation cover Rarotonga and the Outer Islands. Agencies like OMIA require technical assistance in project design and management and agencies like Environment, Works and the project development unit at AMD would greatly assist OMIA in their project initiatives. The sector based approach ensures that costs and responsibilities are shared and managed effectively. Projects can be planned and implemented more effectively and bureaucracy is minimised, cost, ownership and risk is shared.

Partnerships with the Private Sector

- 7.3.7 The private sector's responsibility in this proposed new structure would be to **deliver services on behalf of the infrastructure sector** and according to prescribed standards and requirements set by the sector. It is our view that the privatising of service delivery functions at the sector level will encourage competition within the private sector. Initially, there may only be a few players in the market but privatisation will provide opportunities in the private sector to build capacity and deliver services according to required standards. The sector's role is to ensure that standards are followed. **Competition will improve quality** and it also enhances business activity within the private sector which is also good for the economy. Business growth also enhances employment opportunities especially for qualified Cook Islanders and those wanting to return home.
- 7.3.8 Giving the private sector the opportunity to build capacity and deliver services would only improve their capabilities to take on large scale projects like the construction of a multi sports complex. There will be infrastructure development opportunities in the Cook Islands for the next five to ten years as the country prepares to improve access and affordability to stimulate and sustain economic growth. The infrastructure master plan and the NSDP has outlined where the country and the economy should be positioned in the year 2020. These opportunities will be greatly enhanced and stimulated by a strong private sector and it will allow the private sector to introduce new technology and processes to improve the quality and delivery of services.

Community and Island Administration Role and Responsibility

- 7.3.9 The community and Island Administration also have a responsibility towards infrastructure development. They would be required to assist the infrastructure sector in the monitoring and enforcement efforts by reporting faults, documenting **grassroots needs** and conducting research. Inclusive of this process will be the requirement to introduce and draft new by-laws as required. These groups can also assist in the grassroots initiatives like beautification programs and environmental initiatives like recycling. They can also provide much needed feedback on infrastructure and policy issues and coordinate grassroots awareness and educational programs.

7.4 Sector Based Planning and Interaction

Definition of Policy Parameters

- 7.4.1 Sector based planning and interaction is inevitable in the proposed new structure for Works. Key stakeholders have remarked that the sector based approach is the best way forward for the Ministry of Works and the infrastructure sector as a whole. It is our view however that the sector approach would be more effective if the policy direction is clearly defined especially at the national level. The NSDP is in place and provides an outline of what the policy and development priorities are for Government, the sectors and the individual ministries and implementation agencies like Works. These policies and priorities defined in the NSDP need to be structured and implemented at the sector and ministry level to allow for consistency in planning and implementation and to ensure that these priorities are consistent with national priorities.
- 7.4.2 The agencies involved in defining policy parameters to support sector initiatives would be the policy unit at OPM, the budget and economic unit at MFEM, and the various sector agencies involved like Works, Environment, OMIA and the project development unit at AMD. It is our view that these agencies will need to define their policy parameters to allow the necessary input

and appropriate reviews to take place. The policy unit at OPM would need to ensure that the national policies and priorities are understood and included by the sector in their planning process. The budget and economic unit at MFEM would need to understand what the policy and the priorities are to allow them to allocate the appropriate funds to support these priorities. The project development unit would assist with project planning process to ensure that projects and initiatives meet the technical and funding requirements.

Coordination of Planning and Projects

- 7.4.3 The sector based approach also allows for **better coordination of planning and projects**. With the policy parameters and priorities defined at the national and sector level, the planning process for infrastructure should flow seamlessly because the priorities have been defined and aligned. The stakeholders that need to be involved in the planning and policy development process are the sector agencies like Works, Environment, and OMIA along with the policy unit at OPM and MFEM. The project development unit at AMD will be required to assist in the project development initiatives. The private sector is also involved in this planning process because they would be expected to deliver services according to prescribed standards and requirements set by those involved in the planning process. To ensure that stakeholder buy-in is accomplished, goals and objectives need to be clearly defined along with their corresponding responsibilities and the value generated from this process benefits all the stakeholders involved.
- 7.4.4 Areas of strength and weakness also need to be identified in the planning process to allow resources to be allocated to where it is necessary. Areas of weaknesses identified in this review are the lack of funding and resources, lack of policy direction, lack of management expertise, lack of appropriate information systems and processes, and the lack of specialist technical expertise. It is our view that the role of the sector agencies is then to share information, resources and expertise to ensure that policies are consistent to support the sector planning process. The technical and operational standards and requirements like quality standards, project costs, service timeframes, monitoring processes and specialist equipment and technology would then need to be in place along with the appropriate personnel and management to ensure that weaknesses are minimised and the planning, implementation and monitoring process is not compromised.
- 7.4.5 When the sector projects and initiatives are ready for implementation, an action plan is needed where the tasks and objectives are outlined, the cost and the deadlines are defined and the various stakeholders are informed. It is our view that the action plan should have details of the required information, resources and activities involved. Key stakeholders remarked that the action plan needs to include the description of necessary actions and events like planning, execution and review of the project or service and the identification of resources, equipment and technology used. The breakdown of construction, operational and maintenance costs of the project or service should also be detailed along with the appropriate timeframes and deadlines. The operational and maintenance programs need to be outlined with its corresponding costs and the definition of responsibility need to be confirmed to identify who is responsible for what.
- 7.4.6 To review the effectiveness of projects or services provided, effective monitoring systems and processes need to be implemented at the sector level. Sector agencies like Works and Environment will need to check the quality of the service or the materials used to see if they meet required standards. Technical standards and requirements also need to be verified to see if they have been adhered to. The functionality of the services or equipment used needs to be tested to see if it is operating as expected and within the required guidelines. The operational requirements

of the services also need to be checked to see if the resources and funding are adequate to maintain and sustain the service. It is our view that the sector based approach will provide the necessary framework, resources, and ownership to allow infrastructure projects and initiatives to be planned, implemented, monitored and maintained effectively.

Management of Information, Resources and Cost

- 7.4.7 One of the clear advantages of the sector approach is the formalising of relationships between sector agencies like Works, Environment, OMIA and the project development unit at AMD. Formal relationships mean that **information like statistical and analytical data** outlining trends and issues specific to infrastructure can be **compiled and shared among sector agencies**. Research can be conducted at the sector level and reports be compiled to benefit all agencies involved especially when it comes to sector wide initiatives like recycling. Resources like new technology, equipment, experience and expertise can also be shared and utilised among the sector agencies especially when planning and designing projects and new initiatives and when also carrying out regulatory tasks.
- 7.4.8 One the issues found during this review was to do with the **ownership of data and research**. Sector agencies were reluctant to share information, research and data because they feel that they have built adequate systems using their own initiative and resources without the input of other agencies. The other barrier to information and resource sharing has to do with cost and responsibility. This review has found that sector agencies were reluctant to share information or participate in sector initiatives because of financial commitments and priorities in other areas and the fact that the ownership and responsibility of these initiatives is unclear. The sector approach will break down these information and resource sharing barriers and it will force these agencies to start taking ownership and responsibility of the issues and plan solutions together.

Regionalise Development

- 7.4.9 Regionalising development initiatives and resources was a suggestion made as part of this review. This approach would allow the different regions to determine what their development priorities are and decide what initiatives they would plan for. Part of the suggestion involved the **identifying of the regions such as north, south and central** and their respective operational bases. To aid them in the review and decision making process, factors like the shipping port and airport, natural resources, economic activity and potential and population need to be reviewed and identified to see where the most potential area is.
- 7.4.10 For the northern region, the island of Penrhyn was mentioned as a potential base because of the suitability of its shipping port and airport. Aitutaki was viewed as the island with the most potential in the southern region because of the strong economic potential and the condition of its shipping port and airport. Rarotonga will remain the central base for Government systems and decision making and this is where the policy and legislation will be monitored and enforced from. The outer regions like north and south will be responsible for planning and coming up with development initiatives along with service delivery. The operational bases for these regions will be responsible for managing resources and equipment and will act as the access point.

- 7.4.11 The advantage of regionalising development initiatives and resources is that it allows the respective **regions to decide what development is appropriate for their needs**. It also allows them to manage their funding resources and make their own decisions on what to do with what they are given. This also gives them the opportunity to be proactive in seeking development opportunities and partnerships with neighbouring countries like French Polynesia, Samoa and American Samoa. Islands like Pukapuka have already taken the initiative to address issues like fuel and food shortage and negotiating trade opportunities by dealing directly with Samoa.
- 7.4.12 From an infrastructure perspective, a regional approach would assist the sector when it comes to planning and implementing infrastructure projects and initiatives in the Outer Islands. It will allow development to be **prioritised based on economic potential** and return on investment. It will also improve the management and allocation of resources and funding and it will allow development to be streamlined into potential areas because of access and economic reasons. It is our view that islands with less economic and development potential should be a lower priority when it comes to resource allocation, infrastructure development and new initiatives.

7.5 Consistency of Policy and Planning

Linking Sector to National Policy

- 7.5.1 Consistency in policy and planning has been found to be a problem in the infrastructure sector. This has caused problems with policy and planning initiatives at the sector and ministry level and this is evident at like Works. What is needed is the creation of sector policies especially in areas like roads, water and waste management. These policies need to be linked to national priorities like infrastructure development, economic development and environmental management. Once the linkages are established, infrastructure initiatives will be better appreciated because of the value it creates not only at the sector but also at the national level.
- 7.5.2 Examples of linkages include the development of efficient roads and the connection to building and housing development. The improvement in the quality of water and supply also means that consumers are more satisfied and healthier and the tourism industry is supported. When it comes to waste, **efficient waste management ensures a clean and sustainable environment** is maintained. The tourism industry is also supported by a cleaner and healthier environment. The link between privatisation and competition in the infrastructure sector also means that quality infrastructure is created and maintained. This inevitably means that quality infrastructure supports and enhances economic development for the country.

Linking Infrastructure to Economic Development

- 7.5.3 This review has found that **quality infrastructure is linked to economic development**. It is our view that economic development can be enhanced by infrastructure development in two ways. Firstly, the upgrading or the development of new infrastructure involving the private sector will mean that business activity is enhanced and money is injected into the economy. The involvement of the private sector also means that competition is created and quality is improved. To improve quality, money needs to be invested into new technology, skilled and efficient personnel, strong systems and quality equipment.
- 7.5.4 Secondly, the quality of infrastructure ensures that economic activity within other sectors and industries like building, tourism, telecommunication, shipping and aviation is enhanced and

supported. The push for quality infrastructure also means that ports in the north, southern and on Rarotonga have to be improved. Once this takes place, access is achieved especially in the Outer Islands which also improves the affordability of goods and services. It also allows business activity to be stimulated in other support sectors like imports and exports. The improvement of the Avatiu Harbour would allow bigger ships to enter and offload more cargo which helps keep the prices down. Good prices also mean happy customers and more business activities.

Phased Planning and Implementation

- 7.5.5 The planning and implementation of the change management process within Works and the infrastructure sector needs to be phased over time to allow issues to be identified and addressed appropriately. For short term planning and priorities, changes in management, personnel, policy, legislation, operational, systems and sector planning and these changes need to span over a period of one to two years. Long term planning and priorities for the sector would include strengthening regulatory responsibilities privatising service delivery and the timeframe for such change would be a minimum of two years. Key stakeholders have remarked that long term infrastructure plans need to be in place to allow development to be structured and consistent over time. Stakeholders further remarked that this also allows for proper forecasts and analysis to be conducted and political influence will be minimised when there's a change in Government.
- 7.5.6 Planned infrastructure projects and initiatives need to be aligned to short and long term sector and national priorities and it needs to satisfy appropriate funding requirements and timeframes. **High initial investment is needed in the short term** to strengthen the systems and processes within the sector and to allow capacity building in human resources, equipment, systems to take place. Long term investment is needed to sustain and maintain operations and adequate service levels. Phased planning and implementation also enables funding, resources and cost to be shared among the sector agencies. This ensures that the planning process is done properly and is adequately supported. This also reduces the impact of funding constraints because cost and resources needed to support the planning process is shared.
- 7.5.7 The phased planning and implementation approach needs to have a plan and process in place to allow new initiatives and required changes to take place in an organised manner. The **implementation plan** needs to identify specific tasks and objectives such as restructuring and decentralising of outputs and services. The improvement in policies, legislation and relevant financial, administration, technical and regulatory systems needs to be included in the plan along with capacity building in personnel and systems. Once the tasks and objectives are defined, timeframes and resource requirements need to be applied along with the relevant stakeholders and responsibilities. The stakeholders and responsibilities need to be identified and included in the plan to ensure that all stakeholders are informed and their responsibilities are clearly defined and understood. To ensure this happens, all stakeholders need to be adequately consulted.

7.6 Change of Government Approach and Commitment

Outcomes verses Outputs

- 7.6.1 To assist Government with their aspirations of building and maintaining a quality infrastructure, it is our view that the budgeting framework would need to change from an output to an outcomes framework. This will allow Government to clearly define what they want to achieve rather than how to achieve. The outputs framework focuses more on what outputs are required to achieve

outcomes but the **linkage between outputs and outcomes are not clearly defined and aligned**. It is our view that the outcomes would need to be defined and with the NSDP in place, this would provide some guidelines as to what outcomes to achieve supported by the relevant outputs. For this review, we conducted research into the outcomes and outputs framework to inform our thinking about what framework would provide support for the sector based approach and the merging of sector agencies. It is our view that the outcomes framework would provide a strong foundation needed to support such initiative.

- 7.6.2 Examples of outcomes that Government need to achieve are access and affordability in the Outer Islands where economic growth is needed. **Ease of access** is achieved through efficient shipping and supporting infrastructure and this also ensures affordability. **Affordability** means that goods and services can be provided or established in the Outer Islands. With affordability achieved, the cost of living will also decrease and depopulation is minimised. **Efficient resource management** and Government systems and processes are critical to ensuring that access and affordability is achieved. Government systems like the outcomes framework, the sector based approach and regionalising development will ensure that resources are allocated to areas of need and they are effectively managed to achieve the defined outcomes. Access and affordability coupled with efficient resource management also ensures that quality services are achieved especially in areas such as transportation, communication, infrastructure education and health.
- 7.6.3 Outcomes such as quality infrastructure are achieved and supported by appropriate outputs such as efficient Government systems and operations, effective policy direction and procedures, strong leadership, strong financial support and commitment, appropriate resources and technology and quality human resources. To ensure that the outputs are appropriate in supporting the outcomes, strong monitoring and evaluation systems and processes need to be put in place. Purchase and performance agreements are needed to ensure that management and personnel are providing the required service and advice to Government. Reports such as monthly, quarterly and annual reports along with project and audit reports reflect the level of quality and efficiency of public service performance and report progress on initiatives like infrastructure development. Feedback from consumers through surveys and public opinion also reflect on performance.

Budgeting and Decision Making

- 7.6.4 The budgeting framework and the decision making systems and processes within Government provide the necessary structure and support mechanisms to ensure that quality infrastructure is achieved. The current output framework along with annualised budgets does not provide the foundation, direction and the resources to achieve what has been outlined in the NSDP. This review has found that **annualised budgeting does not allow for long term solutions to be implemented** because ministries and sector agencies have to compete annually for funding and resources. Annualised budgeting also does not support the sector based approach and it does not provide the mechanism and the resources to the ministries and sector agencies to offer long term service contracts to the private sector.
- 7.6.5 The outputs budgeting framework does provide basic allocations to all Government services and it ensures that resources are provided to maintain operations and current service levels but this conservative approach does not accommodate the resource needs to improve in critical areas like infrastructure. As a consequence, solutions are short term as dictated by the budgeting term, goals are undefined because priorities keep changing, outcomes are not achieved because of priority changes and lack of resources, and new initiatives are not a priority. What Government needs to do is to change the outputs framework to outcomes and provide the necessary support

and resources to achieve outcomes. **Changing the budgeting framework to medium term budgeting** supports the sector based approach and it also allows sectors to plan long term projects and offer long term service arrangements to the private sector.

7.6.6 Regionalising development can also be achieved if the budget framework changes to medium term budgeting. It will provide regional agencies with the necessary resources and support to setup and strengthen regional administrations, systems, processes and capacity. It will also give them time to review and assess their priorities and needs. The allocation of funding will also be determined by the change in the budgeting framework to medium term. Allocations will need to be determined based on national and sector priorities and interests. Allocation also needs to be linked to outcomes and achievable outcomes should be prioritised. To ensure that the outcomes framework is effective, a strong review process needs to be implemented to allow management identify if outcomes are achieved, funding allocation is appropriate and issues are identified.

Government Commitment

7.6.7 Government's attitude and commitment is critical to the change management process at Works and within the infrastructure sector. The status of the country's infrastructure is at a point now where Government needs to make a commitment to addressing the issues and also to implement solutions that will allow sustainable economic growth to take place. Key stakeholders especially those in the private sector have remarked that they are prepared to assist Government in strengthening the infrastructure sector. For the private sector, the opportunity to get involved would mean more business but they are only going to make a commitment if Government is willing to support it through financial and other means.

7.6.8 The Chamber of Commerce has remarked that the private sector are more than willing to participate in partnership arrangements with Government but they would need to give **long term service agreements to allow the private sector to build capacity** and make a return on their investment. The private sector service providers like T&M Heather are prepared to invest in equipment and resources but they are only willing to do this if Government is willing to privatise service delivery functions like road sealing and maintenance on a long term basis. Long term contracts provide financial and service guarantee to service providers and it allows them to **employ specialist technical people and purchase specialised equipment** to carry out their work. These long term contracts should also include operational and maintenance costs.

7.6.9 Government's commitment to development especially in infrastructure also needs to be consistent to ensure that adequate support and resources are allocated to manage and operate development projects. This review has found that some development projects like the Waste Management Facility in Arorangi lack the resources and financial support to fully operate and maintain the facility. A huge investment has been made by the donor partners to fund projects in the country but the donor funds only cover the planning and construction of the project. Ministries responsible for operating and maintaining these projects or facilities have not received adequate funding to operate the facilities to its required capacity. Operating and maintaining these projects are also difficult if the required personnel are not available to manage these tasks. As a consequence, the lifespan and usefulness of these facilities and projects are reduced.

7.6.10 Government's commitment is also required to enable proper development and implementation of policies at the national level. The **policy direction at the national level needs to be clearly defined** to allow sectors and ministries to plan and align their initiatives and projects to national

priorities outlined in the NSDP. Strong and clear policies are needed to provide direction to infrastructure agencies like Works to allow them plan and manage their responsibilities according to national priorities. Strong policies are also needed to support and provide direction to development in areas of roads, water, and waste management. Policies in these areas would assist the infrastructure sector when planning new initiatives, implementing projects, and monitoring service delivery. Policies are also needed when the sector agencies engage in regulatory activities and enforce specific standards and requirements.

Government Priorities

- 7.6.11 Government priorities need to be clearly defined and embedded into a long term national plan. The creation of the NSDP has provided a forum for Government to publish the national goals and priorities for the country. Feedback from the key stakeholders indicates that the goals and priorities in the NSDP are not clearly understood but it has provided a starting point. It is our view that the problem with the NSDP is the linking of national goals to ministry goals. What is missing from this whole process is the clear definition of sector goals and objectives. **The sectors provide the link between national and ministry** goals and interests. Because the NSDP is a living document and the goals and objectives are not clearly defined, it is up to the sector agencies to mobilise their efforts, resources and planning processes to ensure that consistency in policy, planning and implementation is achieved.
- 7.6.12 It is our view that **Government priorities highlighted in the NSDP need to be clear** and concise to enable everyone to fully understand and appreciate what needs to be achieved. Once that is achieved, each individual would know exactly what they need to do and how their actions and efforts contribute to the national vision. The priorities and concepts in the NSDP need to be made available in different contexts to allow different audiences to understand what their role is in regards to national sustain development. Awareness needs to be created to inform the public on what activities and initiatives add value to the national development process. Research and analysis needs to be conducted to provide avenues for consumer feedback, technical reports and performance reviews to be published.
- 7.6.13 Government needs to ensure that the political and decision making process does not deviate from the national goals and priorities. The launching of the NSDP is a milestone for the country because the process of compiling the contents of the document has been a multi-stakeholder approach. This process was critical to enable the buy-in to be received from all stakeholders involved. If the political process overlooks this approach then it potentially compromises the whole national planning process. The political process is suppose to add value and enhance what is in place to ensure that consistency in policy direction and priority still remain and is maintained at all times. From an infrastructure perspective, the priority is to address the issues of poor quality infrastructure and provide strong practical solutions. These solutions will need to be supported by the appropriate budgeting framework, planning, decision making and implementation at the sector level, and a strong commitment from Government.

8.0 Recommendations

8.1 The following recommendations are addressed to Prime Minister, Deputy Prime Minister and Ministers of Cabinet, the Secretary of Works, Financial Secretary, Public Service Commissioner, and the sector agencies mentioned. Set out below are Audit's key focus recommendations aimed at improving the overall management and performance of the Ministry of Works and the Infrastructure Sector as a whole. These recommendations are further explained in detail in Section 7 of the report titled "What is the Best Way Forward".

Change Management

8.1.18 Recommendation No.1

Restructure the Ministry of Works

The Ministry needs to be restructured to allow for changes in management, systems, process and policies to take place. We recommend that Works and the Infrastructure sector focus on regulatory functions and responsibilities while service delivery functions attached to roads, water, and waste management need to be commercialised and with some divisions being privatised. In preparation for a regulatory role, the ministry and the infrastructure sector needs to build human resource capacity to support their new role and deliver services efficiently.

8.1.19 Recommendation No.2

Implement a Change Management Program

The restructuring of the Ministry of Works and the infrastructure sector needs to be properly managed, structured and consistent. To ensure that this happens, a change management program needs to be implemented. This program will need to define what the purpose is for the restructuring and it would need to highlight objectives and responsibilities, resources needed, and appropriate timeframes for objectives and tasks. The change management process will provide the outline for changes at the ministry and sector level in preparation for a planning and regulatory role.

8.1.20 Recommendation No.3

Merge Sector Agencies into One Ministry

The Ministry of Works needs to be merged with other sector agencies such as Environment, OMIA and the project development unit within AMD. Part of this process would require the defining of policy parameters at the sector and national level, the coordination of planning and projects within the sector and the management of information, resources, and cost. The proposed new sector ministry is to be called the Ministry of Land and Infrastructure Management.

8.1.21 Recommendation No.4

Privatise Service Delivery Functions

The Ministry of Works along with the infrastructure sector agencies need to identify service delivery functions that can be privatised. To support the privatisation movement, specific technical standards and requirements need to be implemented and

attached to service arrangements. Service contracts need to specify standards and will need to outline penalties if standards are met.

8.1.22 Recommendation No.5

Merge Works with Cook Islands Investment Corporation

Another solution for Works would be the amalgamation of its functions and responsibilities under CIIC. CIIC's legislation is encompassing and it includes infrastructure development. Its management structure is more stable with the inclusion of a board. The presence of a Board will lead to more detailed oversight and monitoring of plans and budgets against actual performance. CIIC's expertise in privatisation is another advantage. Management at CIIC however commented that the amalgamation of Works into CIIC will only be supported if adequate resources and support is provided by Government.

Institutional Strengthening

8.1.23 Recommendation No.6

Engage in Institutional Strengthening

The Ministry of Works needs to strengthen its management and performance capacity, policies and legislation, systems and administration processes, monitoring and enforcement capacity and human resource capacity to support the change management process and also to deliver regulatory services efficiently and within the prescribed standards and requirements.

8.1.24 Recommendation No.7

Define Roles and Responsibilities

Works and the sector agencies need to clearly define roles and responsibilities in preparation for planning, implementation and monitoring at the sector level. The role of the infrastructure sector agencies, the private sector, the community and island councils needs to be defined as regulatory and service delivery functions and responsibilities are identified and implemented. A proposed new management structure is recommended to allow sector agencies to merge under one infrastructure sector ministry.

8.1.25 Recommendation No.8

Review Policies and Legislation

The Ministry of Works and the infrastructure sector needs to review all policies and legislation to ensure that it is adequate to support the sector's functions and responsibilities. A policy for water, roads and waste management needs to be developed and legislation needs to be strengthened to support regulatory functions and processes. Operational policies and procedures are needed to strengthen administration systems and processes.

8.1.26 Recommendation No.9

Improve the Consistency of Policy and Planning

The linking of sector policies and priorities to national policies and priorities is needed to improve the planning and policy development process. This would ensure that infrastructure development adds value to economic development initiatives. This also allows planning and implementation of the change

management process to be phased over time. Approaching the change management process this way would allow tasks and objectives to be carried out and reviewed accordingly.

8.1.27 Recommendation No.10

Strengthen Regulatory Functions

The Ministry of Works and the infrastructure sector needs to focus on regulatory responsibilities. With the privatisation of service delivery functions, the sector will need to concentrate on monitoring and enforcing policies, legislation, technical standards and requirements. Monitoring and enforcement needs to be consistent to ensure that service delivery and quality is maintained.

Finance and Development

8.1.28 Recommendation No.11

Improve the Budgeting Framework

To ensure the success of this change management process is achieved, Government needs to be fully committed to this whole process. Changing the budgeting framework from outputs to outcomes is needed to provide the necessary direction required to achieve outcomes outlined in the NSDP. A move to medium term budgeting is a step in the right direction and this will provide the necessary support and resources for sector based planning and implementation.

8.1.29 Recommendation No.12

Review Infrastructure Funding Arrangements

The infrastructure sector needs to review how they are going to fund and provide continuous support for infrastructure development. Income generating methods like user pays and taxation needs to be reviewed to ensure that infrastructure initiatives are implemented and sustained over time. Projects implemented on a cost recovery basis are preferred by donor partners when funding development initiatives.

8.1.30 Recommendation No.13

Review Options for Regional Development

The infrastructure sector needs to explore options for regionalising their development programs. This would require the identifying of priority islands or areas where infrastructure initiatives will add value to development in that particular region and will provide a base for further development. This initiative would help coordinate development efforts and it also empower the regions to plan and implement their own development priorities and negotiate directly with other agencies and countries as required.

8.1.31 Recommendation No.14

Implement Twinning Program

The Ministry of Works and the infrastructure sector needs to arrange for an assistance program with donor partners whereby specialist technical expertise are brought in to implement new systems and processes and conduct training. Expertise in infrastructure management and development from countries like

New Zealand should be sourced to assist the sector when introducing new systems and processes.

Operational and Personnel Development

8.1.32 Recommendation No.15

Improve Operational Systems and Processes

The Ministry of Works and the infrastructure sector needs to improve operational systems and processes to minimise duplication of work. Similar functions and responsibilities within the sector need to be identified and streamlined to improve data processing. Internal controls need to be strengthened to allow information to be processed and recorded appropriately. This also ensures that data collection, processing and reporting is improved which adds value to the planning process.

8.1.33 Recommendation No.16

Review Performance Systems

The Ministry of Works and the infrastructure sector needs to review performance systems to ensure that proper monitoring of performance is conducted. Purchase agreements between the Management and the Minister are needed to ensure that services purchased are actually delivered. Performance agreements are also needed to monitor the performance of management to ensure that they deliver according to the purchase agreement.

8.1.34 Recommendation No.17

Improve Human Resource Development

The Ministry of Works and the infrastructure sector needs to improve the management of human resources. Capable human resources are critical to the success of the infrastructure sector. Initiatives like succession planning and training allow the sector to strengthen its human resource capability to ensure that quality service is delivered and maintained throughout the sector. This also allows for improvement in planning and decision making.

9.0 Conclusion

9.0.1 In conclusion, this review has found that the management and operations at Works is substandard and at most, unsatisfactory. This review has identified that the setup and the lack of management expertise has contributed to the problems at Works. However, the problems cannot be entirely blamed on the current management and weak systems and processes. The political setup also needs to take responsibility for the service levels and inefficiencies at Works. Works has received minimal resources and funding to fully operate and address areas of weakness in the infrastructure. The budgeting process has not provided adequate financial support to make an impact on Works or the responsibilities it has. We do accept that the lack of capacity at Works has compromised the planning and implementation process but the lack of policy direction at the national level and the lack of priority and commitment has also been lacking from Government.

9.0.2 The solutions for Works would be to merge its functions and responsibilities with other agencies in the infrastructure sector either with CIIC, or Environment, OMIA, and the project

development unit at AMD. This would ensure that planning, implementation and monitoring of projects and new initiatives at the sector level is accomplished with some consistency and purpose. This also ensures that planning and monitoring is conducted more efficiently and that information, resources and expertise is shared to assist in the planning and monitoring process. There will be some teething problems to this change management process especially to do with policies, legislation, systems, and personnel but this is to be expected. What is important for Government to know is that this change management process involving the merging of sector agencies will only add value to the infrastructure development process. This will also provide the necessary supporting framework and foundation for all infrastructure development in the Cook Islands in the future.

- 9.0.3 The change management process for Works and the infrastructure sector will require a major change in management. Strong management personnel are critical to the change at Works and the infrastructure sector. Management personnel with skills and experience in infrastructure development are needed to manage the whole change management process and to prepare Works and the infrastructure sector for a regulatory role. The planning and policy development process can be complemented by the merging of sector agencies into one structure but the right management personnel is needed to facilitate this planning process. Working with the private sector is another strength that is needed for at the management level. A strong relationship with the private sector is essential because of the service requirements and expectations of the infrastructure sector and the service capacity of the private sector.
- 9.0.4 The involvement of the private sector is critical to this whole change management process at Works and the infrastructure sector. The private sector is expected to take on the service delivery functions from the Ministry of Works. What is important in this whole process is that the technical and service standards and requirements are followed. This would ensure that quality of service and delivery is maintained at all times and within the required timeframes. The involvement of the private sector is an exciting prospect because of the business that it would generate within the economy. Competition within the private sector improves quality and quality needs to be achieved and maintained when it comes to infrastructure. However, for this to work Government needs to come to the party and provide the financial support and resources to allow the private sector to deliver the service. The risk regarding infrastructure needs to be shared between the private sector, the sector agencies and Government.

10.0 Appendices

Appendix A: List of Key Stakeholders Group

Key Stakeholders			
Ministry of Works	Name	Role	Status
	Ata Herman	Head of Ministry	Ü
	Tangi Taoro	Director of Finance	Ü
	Keu Mataroa	Policy Advisor	Ü
	Louis Teiti	Director - Building Control	Ü
	Tai Nooapii	Director - Road Works	Ü
	Ben Parakoti	Director - Water Works	Ü

	Adrian Teotahi	Quality Assurance	Ü
	Tekao Herman	Director - Waste Management	Ü
Policy Team - OPM	Liz Koteka	Senior Policy Analyst	Ü
OMIA	Othaniel Tangianau	CEO	Ü
Environment	Vaitoti Tupa	CEO	Ü
PSC	Russell Thomas	CEO	Ü
AMD	Garth Henderson	Manager	Ü
MFEM	Sholan Ivaiti	Financial Secretary	Ü
	Dallas Young	Economic Policy Analyst	Ü
	Priscilla Maruariki	Treasury Operations Manager	Ü
CIIC	John Tini	CEO	Ü
Chamber of Commerce	Mark Brown	Vice President	Ü
Politicians	Sir Geoffrey Henry	Former Prime Minister	Ü
	Ngamau Munokoa	Minister of Works	Ü
	Iaveta Short	Policy – Democratic Party	Ü
	George Turia	Policy – Cook Island Party	Ü
Donor Agencies	Garth Henderson	NZAid / AusAid	Ü
T&M Heather Ltd	Teariki Heather	Owner	Ü
PTS	Ian Ibbetson	Owner	Ü
S&T	Henry Ariihee	Owner	Ü
Recycle Cook Islands	John Wichman	Owner	Ü
CITC	Owen Trott	Hardware Manager	Ü
Consultant	George Cowan	Surveyor and Town Planner	Ü
Consultant	Don Dorrell	Design Engineer	Ü
Consultant	Tata Crocombe	Management, Policy & Planning	Ü
Local Government	Teariki Matenga Jnr	Takitumu Mayor	Ü

Ü - Interviewed

Ū - Not Interviewed

Appendix B: Members of the Review Team

1. **William T. Numanga**
Auditor, Special Reviews & Investigations
2. **Garry Smith**
Chartered Accountant

Appendix C: Reports & Articles Reviewed

3. **Preventive Infrastructure Master Plan**
January 2007
ADB

- 4. Rarotonga Apopo**
2007
Sir Barry Curtis – Former Mayor of Manukau City
- 5. Te Kaveinga Nui – Pathway for Sustainable Development in the Cook Islands**
2007 – 2010
Cook Islands Government
- 6. Cook Islands Millennium Development Goals National Report 2005 – Strengthening the Development of the Cook Islands**
March 2006
Cook Islands Government
- 7. The Outcomes & Outputs Framework Guidance Document**
November 2000
Department of Finance and Administration – Government of Australia
- 8. Introducing Public Sector Financial Management** - The purpose of New Zealand's public sector financial management system and the structures within which it operates.
- 9. Benefits of a Sector Based Approach** – Volume 2, Issue 3
August 2004
Centre of Research and Evaluation – Commonwealth Corporation
- 10. Organising Successful Change Management** – A McKinsey Global Survey
June 2006
McKinsey & Company

RESPONSE TO THE SPECIAL REVIEW REPORT

A Special Review Report for the Review of Management Functions, Operational Outputs and Systems at the Ministry of Works was issued on the 13th of March 2008 to the following:

- Hon. Jim Marurai, Prime Minister
 - Trevor Pitt, CEO, Prime Minister
- Hon. Sir Terepai Maoate, KBE, Deputy Prime Minister and Minister of Finance and PERCA
 - Ratu Mato, CEO, Deputy Prime Minister
- Hon. Tangata Vavia, Minister for Public Service
 - Pa Epi Mana, CEO, Minister for Public Service
- Hon. Ngamau Munokoa, Minister of Internal Affairs
 - Arthur Taripo, CEO, Minister of Internal Affairs
- Hon. Wilkie Rasmussen, Minister of Foreign Affairs and Immigration
- Hon. Kete Ioane, Minister of Environment and OMIA
- Sholan Ivaiti, Secretary of Finance
- Tingika Elikana, Acting Solicitor General, Crown Law
- Charles Little, Chairman, PERC
- Navy Epati, Public Service Commissioner
- Ata Herman, Secretary of Works

As of the 4th of April 2008 no response has been received regarding this review.