



**FORTY-SIXTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**
(Noumea, New Caledonia, 28–30 June 2016)

AGENDA ITEM 2: DIRECTOR-GENERAL'S REPORT

(Paper presented by the secretariat)

Summary

1. CRGA 46 is being held approximately eight months after CRGA 45, as part of the governing bodies' agreement, following the governance review, to change the timing of the Pacific Community (SPC) governing body meetings. CRGA 46 will focus on the Pacific Community's results achieved in 2015, approval of the revised 2016 budget, noting the draft 2017 budget, and endorsement of a sustainable financing strategy and business model for SPC.. Other important policy issues will also be discussed, including implementation of the Sustainable Development Goals (SDGs), country engagement and programming, the role of SPC in disaster response, and CROP¹ cohesion.
2. A summary of SPC's progress in implementing the decisions of CRGA 45 and the 9th Conference of the Pacific Community appears in Annex 2.
3. The Pacific Community is at a crossroads. After nearly 70 years of continuous service to its members the organisation is now at a critical stage in its history, in an environment that requires a change in the way it operates. SPC must refocus its efforts on fewer priority areas that are consistent with its strengths and are better aligned to the needs of Pacific Island countries and territories (PICTs). Since becoming Director-General, in early 2014, I have signalled to the 2014 and 2015 CRGA meetings my ongoing concerns about SPC's financial vulnerability and the impact of this on our ability to meet all of the expectations of members, development partners and the wider public (refer Director-General's Reports to CRGA 44 and CRGA 45). The situation has become acute in 2016, due to a combination of factors that are further described in this paper and in the finance papers. CRGA is requested to assist the secretariat to agree on SPC's priorities and to support our efforts to develop and implement a sustainable financing plan for the organisation.
4. CRGA 45 and the 9th Conference of the Pacific Community, held in Niue in October–November 2015, approved the Pacific Community Strategic Plan 2016–2020 (SP), which was developed with a wide consultative process. The SP is the navigation chart for the Pacific Community, providing strategic direction and articulating priorities at a broad level. All divisions and teams within SPC have developed detailed business plans that are aligned with the SP. Given the financial outlook for

¹ Council of Regional Organisations in the Pacific.

SPC, it is highly likely that the scope and nature of services provided by SPC's divisions and teams will be reduced or changed over the next two to three years. Divisions will continue to work with sector ministers and heads of ministries to agree on sector priorities and sustainable work plans for future years. Members need to recognise that SPC's ability to progress the implementation of the SP is very limited, given our budgetary constraints, unless we change the way we operate and/or new resources are found. These constraints provide further rationale for the need to change our current business model.

5. The Pacific Community has grown considerably in the last several years, including through the merger with SPBEA in 2010 and SOPAC in 2011. Ironically, as SPC has grown in size, it has become financially weaker, with a reduction in total income levels, falling reserves and recurring budget deficits. After a period of sustained growth in total income between 2006 and 2011, total income began declining from 2012, due mainly to a fall in project income. This was again illustrated between 2015 and 2016, with project income falling by 20 million CFP units, as previous funding cycles came offline, and the organisation faces a longer-than-expected gap before new funding cycles begin. This, along with the effects of an ongoing currency 'squeeze' (exchange rates moving unfavourably), has resulted in a significant budget deficit, which is likely to spill over into 2017 and 2018 unless SPC's income stream improves and/or expenditure is reduced. SLT is developing a sustainable financing strategy for SPC. Papers 7.1 and 7.2 provide further details of the budget for 2016 and the longer-term finance strategy.
6. The Pacific Community Senior Leadership Team (SLT) identified, and implemented in March 2016, several measures designed to achieve a balanced budget for 2016, with flow-on effects into 2017 and beyond. These include measures that directly impact staff financially. The staff body has expressed concerns around the way these measures were adopted, which they have pursued through various forums and processes, including through the involvement of the Staff Representative Committees (Noumea and Suva) (SRCs). Staff were concerned that they were not consulted prior to these decisions being made, and management has subsequently attempted to engage more effectively with staff on these matters which affect them. Cancellation of performance-related payments and the freeze on the SDR mechanism in 2016 caused the most concern. Details of staff concerns are attached as Annex 3. As a means of fostering open communication on relevant issues of concern to staff, management and the Staff Representative Committees have agreed to request that a joint report from the Staff Representative Committees (Suva and Noumea) become a standing agenda item for CRGA in the future.
7. The difficult financial situation faced by SPC reflects our heavy reliance on project funding, budgetary practices of the past, the difficulty in attracting new donors, and increasing 'competition' for development resources in the region. Furthermore, some Pacific Community members have failed to meet their financial obligations to SPC despite agreements at previous CRGA meetings to meet those commitments. SPC is owed 4.29 million CFP units in outstanding assessed contributions, arrears and host country grants, as at 10 May 2016. To address what is effectively a financial crisis, SPC needs to implement a planned and effective resource mobilisation strategy, in addition to containing its expenditure. Members with outstanding arrears are encouraged to complete these payments as a matter of urgency.
8. SPC is also currently working with European Union (EU) officials to manage a significant quantity of funding that has been deemed 'ineligible' expenses through repeat audits of projects that were completed several years earlier.. The principal reason for this ineligible expenditure relates to SPC's failure to comply with relevant EU procurement rules and/or its inability to provide documentation relating to the expenditure. The total amount of these ineligible expenses as at 2 May 2016 is 6.658 million CFP units (EUR 5.595 million). We are confident that this amount will be reduced as we

complete the validation process and work with the EU to find a constructive and pragmatic solution. Given that this issue remains a work in progress, any potential write off has not yet been included in our revised budgets, either for 2016 or future years. However, we note that there remains the potential for adverse impacts on SPC's future budgets and financing plans, therefore representing a financial liability and reputation risk for SPC.

9. The Strategic Plan identifies the need for better country presence and improved engagement with members and partners, as one of the five strategic organisational objectives. SPC aims to further strengthen its relationships with members to ensure that our contributions more closely align with and support national development priorities. This approach builds on previous Joint Country Strategies, with a view to being more responsive and dynamic, and to focusing on fewer national priorities, rather than on a long list of all of the activities undertaken in the country. Country presence will also enhance the visibility of SPC in strategic locations around the region. SPC has allocated resources to ensure that country programming progresses despite the difficult budgetary environment. In 2016, country programmes have been agreed with Tonga, Vanuatu and New Caledonia, along with a joint agreement with the Melanesian Spearhead Group (MSG) to progress priorities in the Melanesian subregion.
10. The Pacific Community 2015 Results Report highlights key achievements and positive changes that teams and divisions across SPC have contributed to, through technical, scientific, research, policy and training activities over the past year. Numerous examples of achievements at regional, national government, civil society and individual levels are provided. In reporting the Pacific Community's results, it is important to recognise that SPC was undergoing an internal reform process during the year under review. Important lessons have been learned from the challenges and successes of activities undertaken during the year.
11. The 2030 Agenda for Sustainable Development (Agenda 2030) was adopted by the UN General Assembly in 2015, including the adoption of 17 Sustainable Development Goals to replace the Millennium Development Goals (MDGs). An analysis of the SDGs shows that seven of the 17 goals are central to SPC's existing activities, and a further six are integral to the work of CROP agencies, to which SPC is a major contributor. The work of CROP agencies in relation to the SDGs is guided by the Sustainable Development Working Group. SPC has also been working closely with UN agencies and ambassadors of Pacific small island developing states (SIDS) in New York to develop a feasible set of SDG indicators for the Pacific region. We remain concerned about the ability of PICTs to monitor and report reliably on SDG indicators due to a lack of data in many areas and capacity constraints for PICTs. In recognition of these limitations SPC is facilitating a strategic partnership between CROP agencies, universities and other knowledge institutions in the Pacific, and the global Sustainable Development Solutions Network (SDSN), to secure additional support for the region. SDSN is a global network of universities and knowledge networks supporting the implementation of SDGs worldwide. Discussions on a possible 'SDG Roadmap for the Pacific Region' (or for subregions) are ongoing.
12. Tropical cyclone Winston devastated Fiji in March 2016, followed by further damage from flooding associated with tropical cyclone Zena in April. Along with other agencies and relief organisations, SPC provided comprehensive support to the Fiji government and communities in a number of areas, including supplying seedlings for farmers through the EU-funded Improving Key Services to Agriculture (IKSA) and Re-forest Fiji projects. SPC is a major contributor to the Fiji government in a number of technical areas, including the post-disaster needs assessment (PDNA) process. We have estimated that SPC provided approximately FJD 750,000 worth of support to Fiji in March 2016. Concurrently, SPC also provided technical support to the Republic of the Marshall Islands (RMI) at the request of the government for assistance with water and sanitation services due to the

prolonged drought. Involvement by SPC in disaster responses has required reallocating resources from programmed activities because the Pacific Community is not funded for this work. The role of SPC in disaster responses needs to be revised because of the frequency of disasters, the expectations of assistance from members, and the limited resources available for this work. The Strategy for resilient development in the Pacific (SRDP) is being revised, and the revised plan will be submitted to the Pacific Islands Forum meeting in September 2016.

13. In March 2016 a KfW-funded project was launched to respond to the devastation caused by tropical cyclone Pam in 2015, in Kiribati, Solomon Islands, Tuvalu and Vanuatu (Recovery Activities in Response to Cyclone Pam). The Pacific Community is grateful to the Government of Germany for this contribution to the rebuilding of small islands, in addition to funding provided for activities in several sectors. A comprehensive range of activities has been agreed with all of the affected countries. Most of the resources have been allocated to rebuilding work in Vanuatu, where the impact of cyclone Pam was greatest. This commitment represents a significant contribution to the rebuilding and rehabilitation efforts in affected islands.
14. SPC continues to work closely with other CROP agencies on issues of shared interest in the region. CROP activities are guided mainly by the Framework for Pacific Regionalism. In addition to supporting activities in various sectors through the CROP Working Groups, the Director-General is a regular participant in meetings of CROP Heads, where regional priorities are discussed and agreed. While improvements are being made to the way CROP agencies work, there is potential for further improvement in the support and policy advice provided to members. A number of important items are being developed for the upcoming Forum Leaders meeting, including the Finance and Governance Review, review of regional meetings, and a report on the implementation of the five regional priorities agreed by Forum Leaders in 2015. SPC is closely involved with the implementation of four of the five regional priorities. A new set of priorities has been received by PIFS² as part of the 2016 call for submissions. Discussions are also continuing on the design of the EDF 11³ programme of work.
15. SPC is strengthening its relationship with the MSG so as to better respond to the needs of the largest population groups in the region. The position of Manager of the Solomon Islands Country Office has been relocated to Port Vila and relabelled as 'Regional Director, Melanesia'. Office space has been generously provided by the MSG Secretariat. The Regional Director, Melanesia, will be responsible for enhancing the relationships with all MSG members as well as continuing to provide oversight of the Solomon Islands office. This move has been a cost-neutral exercise. The existing memorandum of understanding (MOU) between SPC and MSG will be updated in the near future. Furthermore, relationships with individual MSG member countries will be enhanced through new Country Programmes, beginning with Vanuatu. Expanding the Youth@Work initiative to MSG members and other SPC members will be a key project for the office, as well as providing oversight for the implementation of the Recovery Activities in Response to Cyclone Pam rehabilitation programme in Kiribati, Solomon Islands, Tuvalu and Vanuatu. It is also expected that the office will contribute to SPC's resource mobilisation efforts in those countries.
16. The Northern Pacific Regional Office (NPRO) is an important focus and hub for SPC in the North Pacific region, given the distances between members and the costs of travel. Despite our best intentions it has been extremely difficult to raise sufficient funds for enhanced activities for the benefit of the people in the northern region. In November 2015 SPC's Country Presence Review

² Pacific Islands Forum Secretariat.

³ 11th European Development Fund.

Report made a number of recommendations for refocusing SPC's regional and country offices so that they become more responsive and help SPC to better engage with its members.

17. The SPC and Government of Australia Partnership was evaluated by the DFAT Office of Development Effectiveness (ODE) in early 2016. The evaluation confirmed the value and importance of the partnership and identified several areas for improvement including the need to focus on fewer development issues and the need to monitor developments between the annual High-Level Consultations (HLCs).

Recommendations

18. CRGA is invited to:
 - i. note the broad scope of the work of the Pacific Community;
 - ii. note the Pacific Community's achievements in 2015;
 - iii. note that the financial constraints faced by the Pacific Community will impact the organisation's ability to fully implement the Pacific Community Strategic Plan 2016–2020;
 - iv. note that the secretariat has implemented a range of measures designed to address the immediate and ongoing effects of the financial challenges that are affecting the organisation;
 - v. acknowledge that staff of the Pacific Community have been directly impacted by these measures, financially and otherwise, and recognise the efforts made by staff to help address the financial situation;
 - vi. agree that a joint report from the Staff Representative Committees on issues of concern to staff should be a standing agenda item at future CRGA meetings .
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DIRECTOR-GENERAL'S REPORT

Purpose

19. This paper summarises the main areas of work and achievements of SPC in 2015; the implementation of decisions from CRGA 45 and the 9th Conference; the financial challenges faced by SPC; management's actions and further responses to meeting short-term budget deficits in 2016 and 2017; and a longer-term sustainable financing strategy for the Pacific Community. This is the first year of concerted transition from the historic SPC business model to a new model, where resources are focused on priority areas, with a clear expectation of, and accountability for, development outcomes. It will take around two to three budget cycles to complete the transition. The secretariat is confident that our current efforts will strengthen SPC for the future.
20. The paper also discusses significant operational and policy items, including divisional highlights and plans, implementation of the SDGs, country presence and engagement, the role of SPC in disaster response, and CROP agencies working together for the region, including the implementation of the Framework for Pacific Regionalism, post-Paris 21 developments, disaster response coordination and EDF 11.

Background

21. The Pacific Community is at a crossroads. After nearly 70 years of continuous service to its members it is now at a critical stage in its history. It is clear that, as SPC has grown significantly in size over the past several years, it has become financially vulnerable, with declining total income, decreasing reserves, and a legacy business model that is not sustainable. The organisation must now refocus its efforts in priority areas that are consistent with its strengths and are better aligned to the needs of Pacific Island countries and territories. SPC must also strengthen its scientific and technical outputs. Above all, the organisation needs to change the way it operates, moving away from past budgetary practices, and implementing a sustainable financing plan, if it is to remain the principal scientific and technical organisation for the region. Failure to address the current financial crisis at SPC will seriously undermine the ability of the organisation to continue to serve its members effectively. All regional agencies are experiencing significant financial challenges, at a time when new entities are emerging and are competing for shrinking donor funds, and demands for assistance are at an all-time high.

CURRENT ISSUES

Strengthening SPC's financial position

22. The most urgent and critical issue facing the Pacific Community is the need to strengthen its financial position by pursuing measures to balance the budgets for 2016 and 2017 (some of which have been initiated already), and implementing a sustainable finance plan for the organisation. It is also urgent for SPC to build its reserves to enable the organisation to meet unexpected demands and external shocks. SPC is in an extremely vulnerable financial position, and if this situation does not improve SPC has little choice but to curtail the services it provides to member countries and territories.
23. Since becoming Director-General, in early 2014, I have signalled to the 2014 and 2015 CRGA meetings my ongoing concerns about SPC's financial vulnerability, and our ability to meet all of the expectations of members, development partners and the wider public (refer to Director-General's

Reports to CRGA 44 and CRGA 45). The financial situation has become acute, with 2015 income falling 20 million CFP units short of what was realised in 2012. There has been a material decline in total income over the five years between 2012 and 2016, primarily due to a fall in project income, combined with currency fluctuations, impacting on an already chronically weak financial position. The currency 'squeeze' element has been caused by extremely volatile fluctuations in important currencies for SPC. How we respond to this challenge will determine our future role in the region.

24. The following paragraphs are extracted from the Director-General's Reports to CRGA 44 and CRGA 45.

Director-General's Report to CRGA 44 (4–7 November 2014):

7. While the proposed budget for 2015 is balanced with one-off savings and internal cost efficiency measures, we are projecting a serious budget shortfall from 2016 onwards unless income streams improve. We are seeking guidance from CRGA on outstanding arrears in assessed contributions and encourage relevant members to meet their obligations on host country grants. We are hopeful that members will consider other ways of assisting SPC to meet this challenge. We are aware of the financial pressures on all members but encourage timely payments so SPC can continue to provide much needed services to the region.

Director-General's Report to CRGA 45 (31 October–2 November 2015):

6. The financial situation of SPC needs further work. SPC relies heavily on project funding from a very narrow donor funding base. This situation places the organisation at considerable financial risk. The situation was aggravated by a budget deficit in 2014 due, in large measure, to exchange rate fluctuations. Similar deficits are projected in 2016 and 2017, although we have been able to bridge the financial deficit for the coming year through internal efficiency measures adopted by the divisions and the Operations and Management Directorate (OMD). Furthermore, we have also been trying to secure outstanding funds from some members, as well as making a critical review of our expenditure plans, such as reducing travel plans by 25% in 2016, and encouraging greater use of communication technology. Greater assurance of SPC expenditure is now in place, with the work of the Audit and Risk Committee, especially in relation to its focus on internal audit.

7. The long-term financial outlook for SPC remains fragile, as the imbalance between core resources and project funding has limited SPC's flexibility to strategically allocate its core budget resources across divisions and programmes. In 2015 SPC's core funding represented 24% of the total budget; well below the 35% recommended by the Independent External Review (IER) in 2012. A new Director of Finance was recently recruited to assist SPC with strategic financial advice and guidance for the organisation as a whole. We intend to produce a full financial analysis and projections for CRGA 46, including how we intend to ensure a sustainable and predictable financing regime for the organisation. A number of measures are currently being explored, including full cost recovery, consistent application of management fees to project-funded activities and a planned approach to resource mobilisation. Members are asked to assist SPC to manage this critical risk issue.

Implementing the Pacific Community Strategic Plan 2016–2020

25. In November 2015, CRGA 45 and the 9th Conference approved the Pacific Community Strategic Plan 2016–2020, which was developed through extensive consultation with members, staff and other stakeholders. The Strategic Plan (SP) aims to support members in achieving their development aspirations. Through this commitment to members' priorities SPC will continue to increase the effectiveness of its work, and to strengthen engagement between the secretariat and

SPC's members and partners. While the SP has been endorsed by all members, SPC's financial situation and funding model limits the ability of SPC to fully implement the goals and objectives of the plan, unless additional resources are secured and/or funds are accessed from within existing commitments. Implementation of the new sustainable financing strategy is designed to liberate predictable (core) resources to support the implementation of the SP and to support new priorities. All divisions have produced business plans for each sector and team, and these are aligned with the SP. A key task for the CRGA Subcommittee for Strategic Plan Implementation (CRGA Subcommittee), which was established at CRGA 45, is to guide and assist the secretariat in implementing the plan. It is also clear that SPC needs to be more innovative in its approach to resource mobilisation and service delivery.

Setting SPC's priorities

26. A recurring theme for SPC in the present environment is the organisation's broad portfolio of current activities and the need to focus on fewer priorities. While the secretariat acknowledges the need for more clarity on priorities, it is proving difficult to identify fewer priorities that all members and stakeholders can agree on. It is generally accepted that SPC is the provider of choice for many small island developing states, in recognition of their capacity constraints, especially in highly specialised disciplines and technical areas. Under this reality it is difficult for SPC to withdraw from certain areas of work. The SP has identified potential criteria for deciding on priorities and areas where SPC could consider doing less. A new 'priority-setting' tool is being developed for use by teams within SPC. Through this process SPC is seeking to be clearer about areas and services that the organisation should consider withholding funding from, and under what circumstances. A key task for the secretariat and the CRGA Subcommittee is to agree on priorities for SPC, which is essential in enabling SPC to enhance its effectiveness and dedicate limited resources to high-priority areas. Elaborating and agreeing on SPC's *areas of excellence*, referred to in the SP, will assist in this process. This work has commenced.

Balancing the 2016 budget, 2017 budget estimates and impact on staff

27. The budgetary challenges for SPC are not new, and are driven in large part by our historic financial model, past budgetary practices and expanding demands by members for SPC's services. It is now clear, as has been foreshadowed over the past two years, that our budgeting and financing practices are not sustainable, and a new business model is needed. In November 2013, CRGA 43 approved a 'balanced' budget for 2014, but in early January 2014 a significant budget deficit was observed, due in large part to a decline in the value of the Australian dollar against the SDR. The deficit was managed through a series of short-term measures agreed with divisions. In November 2014, CRGA 44 also approved a budget that required additional short-term measures. Similarly, despite a balanced budget approved by CRGA 45 in November 2015, the revised 2016 budget has required an additional 2.15 million CFP units to meet the shortfall. Estimates for 2017 also show that an additional 4 million CFP units are needed to balance the budget for that year. Recurring budget deficits reflect a weaker-than-expected financial outlook for SPC.
28. A range of measures that have been adopted by the senior leadership team (SLT) to meet the short-term budget needs for 2016 (which will impact the budget for 2017 and 2018) have been provided to all SPC members by letter dated 21 April 2016. Further information is also provided in the Finance Papers tabled for CRGA this year. These measures, which directly impact staff financially, were determined at SLT's meeting of 8–10 March, and were announced to staff on 18 March. The staff body has expressed concerns around the way these measures were adopted, which they have pursued through various forums and processes, including through the involvement of the Staff Representative Committees (Noumea and Suva). Staff were concerned that they were

not consulted prior to these decisions being made, given their direct impact on staff, and management has subsequently made efforts to engage more effectively with staff on these matters, in particular via a management/staff taskforce.

29. Staff have expressed specific concerns about the cancellation of the performance-related (PDS) salary increments and the freeze of the SDR in 2016. The decision to cap the SDR exchange rate for staff salaries involved management making an interpretation of the meaning of clauses in staff contracts that had a negative impact on staff. This was a concern for many staff, who considered the SDR mechanism clause in their contracts to be a guaranteed safeguard against significant exchange rate movements, and therefore considered that the decision breached their contracts.
30. Performance-related salary increases that would have been paid to staff in 2016 under the 2015 Performance Development System (PDS) were to be withheld with no ameliorating measures. However, as a result of subsequent discussions with staff, and on the basis of a proposal from the staff volunteers engaged with the taskforce, these performance-related salary increases will now be replaced with an additional leave allocation for staff who would have otherwise been entitled to the increases. A freeze of the SDR for the purpose of calculating international staff salaries has been applied from March 2016, at the floor of the 2016 rate (which is the ceiling of the 2015 rate). As a result of discussions with the SRCs and the taskforce, SLT has agreed that this will be a one-off measure (terminating at the end of 2016). Core-funded travel and activities will be scaled back, and the renewal of expiring core-funded contracts will be subject to review by the Contracts Review Committee. A number of other measures will be implemented, including a full review of the PDS model (in consultation with staff). The current PDS model is flawed, placing an undue focus on financial benefits, rather than on performance development and other forms of recognition, such as professional development. SPC will endeavour to provide professional development for staff as resources permit. As was the case in 2015, members of SLT above Band 15 have voluntarily foregone receiving the 2% market increase to contribute further savings.
31. These immediate-term budget response measures were adopted by SLT to access funds to apply to the budget situation as quickly as possible, and with a view to reducing the likelihood of job losses associated with any simple horizontal reductions in core allocation across SPC. The taskforce has been established to coordinate all activities related to the financial challenges, with ongoing participation from staff volunteers in Noumea and Suva. This taskforce will continue to work on the long-term measures necessary to develop and implement a sustainable financing strategy. In this framework and on the basis of resource allocation linked to priority setting, it is possible that structural change will be necessary, including possible strategic redundancies in areas where the organisation as a whole decides to no longer place its focus.
32. It is important to acknowledge that some of the impacts of management decisions responding to the financial situation will be borne by staff. However, management has sought and will seek to mitigate those impacts as much as possible. Management and the SRCs have identified this experience as an opportunity to develop greater internal engagement across locations. As part of that effort to ensure open communication with staff, it is therefore proposed that a joint paper from the SRCs (Suva and Noumea) be developed in consultation with staff across all SPC locations. This paper would focus on relevant issues of interest and/or concern to staff, and it would become a standing agenda item at future CRGA meetings.

Implementing a sustainable financing plan and business model

33. The most critical challenge for SPC now is to develop and implement a sustainable financing plan to limit the negative impact of external shocks, such as fluctuations in currency movements and

project income. This requires a change in business culture and budgetary practices at SPC. It will involve a series of measures, but at the most basic level, SPC needs to be more selective in attracting the right type of financial resources and to ensure that it is fully funded for the work it undertakes. This may mean reducing certain projects and programmes, and not accepting all projects regardless of the financial implications, which has been the usual practice at SPC. A central plank in the new sustainable financing strategy is the adoption of a full cost recovery (FCR) model for operating across SPC. FCR is commencing in 2016 for all ICT services, to be followed by other sections and services. This approach is designed to ensure that relevant teams have access to much-needed resources on a consistent basis. It will also unlock core funds that are currently allocated to support areas, to be used elsewhere on a contestable basis, including for implementing the SP priorities. Rolling out FCR across all areas of SPC is an important task from 2016 onwards.

34. In addition to implementing FCR, a number of other measures are required to secure a sustainable financing strategy at SPC, including:
- implementing a planned resource mobilisation strategy;
 - encouraging SPC members to settle outstanding arrears;
 - reviewing SPC presence in Noumea; and
 - streamlining SPC's organisational structure.

Implementing a planned resource mobilisation strategy

35. Approximately three-quarters of SPC funding is derived from project funding. Project funds are usually directed at priorities determined by the funder, leaving SPC with little flexibility in allocating the funding. In general, these funds are time limited, and subject to strict criteria determined by the funder. While SPC has been successful in attracting project funds, this has not been ideal for SPC, because it limits the organisation's ability to resource members' and SPC's priorities. SPC needs to design and implement a better-coordinated planned resource mobilisation strategy that will supplement fundraising activities undertaken by divisions and teams. The resource mobilisation strategy will be focused on empowering the organisation to align its funding with SPC's priorities and providing for better management of the budget. We also envisage that the strategy will seek to broaden SPC's donor base, including appropriate non-traditional donors. In the short term SPC must scale up its fundraising activities as part of the organisation's overall response to the budget deficit and financial challenges. A 'pipeline' of projects and programmes has been developed as part of this process and is currently being developed as one of the first concrete steps.

Encouraging members to settle outstanding arrears

36. SPC members have agreed on a schedule of fees to be paid in contribution to the Pacific Community's resourcing arrangements. Despite these agreements several members remain in arrears. The total outstanding contributions as at 10 May 2016 amounted to 4.29 million CFP units. This item was discussed at previous CRGAs and yet affected members have not responded as expected. It is worth noting that the financial challenges facing SPC will be substantially reduced if affected members met their obligations in a timely manner. Members' payment of fees and voluntary contributions also communicate ownership and the value that they place on SPC and its services.

Operating costs for SPC in Noumea and Suva

37. The headquarters of SPC was established in Noumea in 1949. Reducing the headquarters footprint would be a political decision by CRGA and Conference. Nevertheless, in light of the current financial

situation, the secretariat feels that it is necessary to draw members' attention to the relative costs of doing business between Noumea and Suva in particular. From previous studies, staff costs in Noumea are above those in Suva, mainly due to the cost of living differential applied to Noumea. A basic analysis would therefore tend to indicate that shifting staff from a more expensive to a less expensive location would result in a cost saving for the organisation. It is estimated, for example, that an internationally recruited position based in Noumea costs around 30% more than the same position based in Suva.

38. At a management level, SPC is expected to deploy financial and human resources as effectively and efficiently as possible. Beyond the cost aspects, there are important strategic, logistical and relationship benefits in having certain teams located in Suva: for example, most key partners and counterparts for the Public Health Division (PHD) and Social Development Programme (SDP) are located in Suva.
39. However, it is also important to take into account the operating conditions provided to SPC by the host country. France and New Caledonia have provided a significant level of long-term support to SPC and its staff via the past and present Headquarters Agreements, in line with international best practice as regards the treatment afforded to international organisations (particularly privileges relating to customs, immigration, employment, etc.). Important investments have also been made to provide housing and high-quality office space to SPC in Noumea. In the absence of a host country agreement with Fiji, that same level of protection of SPC's interests and operating environment is lacking in Suva. The secretariat is also concerned about the state of many workplaces for Suva-based staff, and is undertaking an internally funded renovation programme to address occupational health and safety issues. Notwithstanding the significant cost, this is seen as a necessary investment by the secretariat, since it appears unlikely that the 'Pacific Village' concept – which would have allowed SPC to have a single campus in Suva – will go ahead in the near future.
40. These matters are raised for discussion by members, on the understanding that, as I have indicated in the past, the intention is that most of the SLT and the main Noumea-based divisions will remain in Noumea.

Streamlining SPC's organisational structure

41. Structural change often creates an illusion of improvement, but a poorly planned change process can be inefficient and counterproductive. I have resisted the temptation to implement structural change within SPC, instead focusing on fostering a culture that encourages excellence and quality in all of our work. However, as we move through the process of strategic plan implementation, priority setting and resource allocation, the organisation needs to consider structural adjustment aligned with SPC's priorities and levels of resourcing. Possible adjustments include consolidating divisions and OMD sections into fewer, but larger, groupings, and streamlining leadership and management arrangements. All divisions are reviewing core-funded positions as part of the sustainable financing strategy, and some lower-priority roles may be changed or discontinued.

Strengthening country engagement

42. The Strategic Plan has identified the need to strengthen SPC's engagement with members. It is widely recognised that SPC has an excellent history, over the course of nearly 70 years, of its secretariat working constructively with its members. The relationship between the secretariat and members has been described as 'ancestral', and it remains essential for the organisation to maintain respectful and productive relationships with members, in light of the changing development landscape in the Pacific. There is a desire to strengthen the secretariat's engagement

with members, including the development of streamlined country programming, and maintaining a presence in strategic locations around the region.

43. To achieve the objectives of the new policy on country presence arising out of the Country Presence Review, SPC has been looking into opportunities to refocus both the North Pacific Regional Office and the Solomon Islands Country office. The NPRO has been renamed the Micronesian Regional Office, and retains responsibility for the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Guam, Palau and RMI. However, the office has a new emphasis on resource mobilisation, country analysis, regular country dialogue and country programming. SPC is carrying out an assessment of the skills in the office to ensure that SPC has the right mix of high-level skills and support to achieve these new objectives. The assessment will also identify opportunities to improve efficiencies and to release funds to achieve greater impact in areas of priority. The assessment will be completed this year.
44. The Country Presence Review recommended that SPC consider broadening the Solomon Islands Country Office's strategic responsibility, and it will now include Papua New Guinea (PNG), Solomon Islands and Vanuatu. SPC identified an opportunity to share accommodation space in Port Vila with the MSG Secretariat, which would allow greater access to our Melanesian members for the same overhead cost. The Director, Melanesian Regional Office, retains responsibility for the SPC office in Solomon Islands (which continues to operate), SPC's Vanuatu office, and engagement with PNG. As with the Micronesian Regional Office, SPC's Melanesian Regional Office will focus on resource mobilisation, country analysis, regular country dialogue, country programming and implementation of selected projects.
45. An independent evaluation of the SPC and Government of Australia partnership was completed in 2016. The partnership is the first long term agreement between the Pacific Community and a development partnership designed to provide better flexibility and certainty for SPC in planning and managing resources. The evaluation confirmed the value and importance of the partnership and identified a number of areas for further development. This partnership is an important development for SPC.

Implementing the Sustainable Development Goals

46. Agenda 2030 was approved by the UN General Assembly in September 2015, and includes 17 Sustainable Development Goals, replacing the 10 Millennium Development Goals. Many PICTs did not perform well in terms of achieving the MDGs, although most generally made some progress against most MDGs. The SDGs will provide a useful pathway for SPC members' development objectives. Seven of the 17 SDGs are already integral to SPC's programme of work, and a further six are jointly implemented by the CROP family of agencies. SPC remains very concerned about the ability of PICTs to monitor and report reliably on their progress in implementing the SDGs, due to data gaps and capacity constraints in many PICTs. SPC will continue to provide support to members in meeting their monitoring and reporting obligations under the SDGs, but it is clear that many PICTs require additional resources to meet their obligations to the global community.

Working effectively with CROP agencies

47. SPC is working closely with other CROP agencies to support the development aspirations of the collective membership. Implementing the regional priorities identified by the Framework for Pacific Regionalism (FPR), and following up on the agreement from COP21 in Paris, are key items in the work of CROP agencies. Forum Leaders endorsed additional work in support of the FPR, including a review of regional meetings, and governance and financing arrangements for regional

organisations. CROP agencies have also been working together on the EDF 11 programmes. Relationships between CROP agencies continue to improve.

Responding to disasters

48. Tropical cyclone Winston devastated Fiji in March 2016, followed closely by tropical cyclone Zena, and flooding from other extreme weather events that affected the country. SPC provided support to Fiji in a number of areas, coordinated by an internal taskforce comprising staff from several divisions. With the endorsement of the EU, SPC was able to re-programme a number of projects to redirect resources towards more urgent priorities identified by the Fiji government. A critical component of SPC's support to Fiji was our participation in the post-disaster needs assessment (PDNA). We estimate conservatively that the total value of SPC's support to Fiji in March was FJD 750,000. Concurrently, SPC provided technical support to RMI in response to a request from the government as a result of the severe and ongoing drought. SPC deployed members of the Water and Sanitation team, along with other experts from Agriculture and Public Health. SPC's Noumea-based staff raised FJD 13,000 in assistance for the people of Fiji. The amount was donated to the Red Cross.
49. SPC is not funded to respond to disasters, and is only able to respond to disasters by diverting resources from programmed activities in relevant divisions, which means that planned activities are either delayed or significantly modified. This is not a sustainable arrangement. CROP agencies have agreed to work together on improving the coordination of support to PICTs following disasters. PIFS and SPC are jointly developing a paper for CROP heads on better coordination of disaster responses in the region, including funding options for affected agencies.

PRIORITIES FOR ACTION

50. The most important priority for SPC this year is to develop and implement a sustainable financing regime to strengthen the Pacific Community's financial position. There is an immediate and urgent need to meet significant budget deficits in 2016 and 2017. Balancing the budgets will be an important element in setting a stable platform for developing and implementing a sustainable financing strategy.

Implementing a sustainable financing strategy

51. The Pacific Community must agree and implement a sustainable financing strategy as a matter of urgency. This will involve a number of short-term and longer-term measures, including a change in policy and practice regarding programme and project design. More importantly, a new mind-set and culture is needed at SPC, whereby staff adopt a new approach to programme design and implementation that involves more integrated, cross-divisional activities, which ensures that SPC's costs are fully considered, budgeted for and recovered. This also means that SPC may have to decline certain projects if the financial risks to the organisation as a whole outweigh the potential benefits. Work towards implementing this new project approach has commenced, and is expected to take three budget cycles to be fully implemented.

Implementing the Pacific Community Strategic Plan 2016–2020

52. Implementing the Pacific Community Strategic Plan 2016–2020 is a critical task. The SP is the opportunity and navigation chart to transform SPC in terms of its ability to meet members' needs, and to improve the effectiveness and quality of its programmes. Due to the ongoing financial challenges it will be difficult to make progress in implementing the goals and priorities identified in

the plan unless resources are freed up or new sources of funding are found. The CRGA Subcommittee that was established to provide guidance on the implementation of the SP is expected to assist the secretariat in this process.

Setting SPC's priorities

53. SPC currently operates in a wide range of sectors across many scientific and technical disciplines. It is the largest of the regional organisations and the principal implementing agency for the Pacific. The size and scope of SPC's operations is both a strength and a weakness for the organisation. Given current financial constraints it is now urgent that SPC focuses on fewer, higher priority projects and programmes. The SP has identified the need for better focus on priorities, including criteria that SPC proposes to adopt in prioritising our work. A prioritisation tool has been developed to assist SPC teams to set priorities for programmes based on agreed criteria and available funding.

Balancing the 2016 budget and 2017 budget estimates

54. SPC has developed a balanced budget for approval by CRGA 46. This has involved the implementation of a number of measures that have been outlined above. It is recognised that a number of measures that management considers necessary to balance the 2016 budget, and the processes around these decisions, have caused disquiet among staff. This will no doubt continue to affect morale and possibly productivity, despite subsequent efforts of SLT to ameliorate some of the impacts of these measures on staff, including engaging in a collaborative discussion process with the SRCs and with staff directly. These mutual engagement processes have been described above. SLT has opted for measures that it considers will reduce the likelihood of immediate job losses, which would have been the case if horizontal cuts to core funding were made to programmes. Budget measures adopted for 2016 will have positive implications for the budget estimates for 2017 and beyond. An important part of this process is the work that is needed to reduce the financial risk associated with EU-funded projects that are currently under review in relation to 'ineligible expenses' identified in repeat audits by the EU.

Implementing a planned resource mobilisation strategy

55. SPC relies heavily on project funding to implement most of its projects and programmes. Staff have been successful in mobilising resources for divisional activities, but a decline in available project funds is now apparent. Total and project income began declining in 2012, with a dramatic drop experienced between 2015 and 2016. This decline has had a major impact on the overall financial situation at SPC. Resource mobilisation efforts at SPC have tended to be unplanned, reactive and ad hoc, and without a clear link to the impact of SPC's work. Given the financial challenges at SPC, it has become increasingly important that a planned and coordinated approach to resource mobilisation is implemented, including broadening the potential pool of funders for SPC.

Strengthening country engagement

56. One of the strategic organisational objectives of the Pacific Community Strategic Plan is the need to strengthen engagement with and presence in SPC members. This objective has become increasingly important as a result of an increase in competition for development resources and the plethora of entities involved in development assistance in PICTs. SPC has reorganised its presence, and is developing an enhanced partnership with the MSG and the large Melanesian members. Similarly, we expect to realign our presence in the Micronesian region through the NPRO. Other strategic locations are being considered within available resources and SPC's existing policy on decentralisation.

Developing *areas of excellence*

57. The Pacific Community Strategic Plan also identifies the need for SPC to be clearer in articulating its distinct edge and comparative advantages relative to other development agencies operating in the region. SPC's core purpose is as a scientific and technical organisation producing knowledge and information for development. It has a number of unique and world-class areas of work, such as fisheries science and the 'seed bank'. Our aim is to develop other areas of excellence within our existing portfolio of projects. This work will be progressed as part of the implementation of the SP, which will help to consolidate SPC's unique contribution in the region and focus the organisation's activities and resources on those areas with the highest added value.

Agreeing on plans for EDF 11

58. EDF 11 negotiations and discussions are continuing between SPC and the EU and other potential contributors. There have been significant delays in coming to agreement on the plans for EDF 11 based on the Regional Indicative Programme. This delay has had a material impact on SPC's finances and its ability to retain skilled staff. SPC continues to provide the required information for this process. SPC has not fully completed the requirements for the EU Pillar Assessment process for the seven pillars. However, the three pillars where weaknesses were previously identified are going to be reassessed around June 2016, and the secretariat is confident that the results will allow the organisation to be considered fully compliant. The secretariat continues to work closely with entities contracted by the EU to assist the Pacific Community to address outstanding issues related to the Pillar Assessment. This will have a positive impact on our ability to participate in the EDF 11 process.

Conclusion

59. The Pacific Community is at a crossroads, and it must implement a sustainable financing strategy for the organisation to ensure that it can continue to fulfil its core purpose and meet its obligations. Demands from members continue to increase, but the resources available to SPC have continued to decrease, with a significant decline experienced particularly between 2015 and 2016. SPC must meet the immediate need to balance the budget for 2016 (with a view to 2017 and beyond), but, more importantly, it must adopt a sustainable financing regime to stabilise and improve the financial outlook for the organisation.

Recommendations

60. CRGA is invited to:
- i. note the broad scope of the work of the Pacific Community;
 - ii. note the Pacific Community's achievements in 2015;
 - iii. note that the financial constraints faced by the Pacific Community will impact the organisation's ability to fully implement the Pacific Community Strategic Plan 2016–2020;
 - iv. note that the secretariat has implemented a range of measures designed to address the immediate and ongoing effects of the financial challenges that are affecting the organisation;

- v. acknowledge that staff of the Pacific Community have been directly impacted by these measures, financially and otherwise, and recognise the efforts made by staff to help address the financial situation;
 - vi. agree that a joint report from the Staff Representative Committees on issues of concern to staff should be a standing agenda item at future CRGA meetings.
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Annex 1

DIVISIONAL AND TEAM HIGHLIGHTS

1. Director-General's Office

The Director General's Office (DGO) continues to provide the strategic leadership, management support, coordination and communication functions for the organisation. The most critical task in 2016 is coordinating the work to implement a sustainable financing strategy and ensuring effective communication with all relevant stakeholders.

1.1. Strategic Communications and Public Information

Phase one of the website redevelopment, and significant growth in SPC's social media followers, signal a more contemporary communications approach for the organisation, including new ways to engage our members and other partners. The 26-member microsites on our revamped website are a new initiative to raise awareness of the SPC family and to strengthen recognition of the value of our contribution to achieving members' development priorities. Since introducing our refreshed logo at CRGA 45 we have begun rolling out a new visual identity to build the 'Pacific Community' brand, which will be important in supporting our organisation's resource mobilisation efforts.

A more strategic approach to media relations is proving effective. The trial of access for journalists and social media reporters to cover CRGA and the Conference in Niue was successful, and this practice will continue.

SPC is the current custodian of the Festival of Pacific Arts. Our support for the 12th festival in Guam, in May and June this year, included technical assistance and television coverage. We will be engaging all of our members and development partners in cost-effective celebrations for our organisation's 70th anniversary in 2017.

1.2 Strategic Engagement, Policy and Planning Facility

The Strategic Engagement, Policy and Planning Facility is responsible for strengthening external relations with stakeholders, increasing development effectiveness (including monitoring, evaluation and learning) and facilitating strategic organisational development initiatives. A key achievement in 2015 was the development of the Pacific Community Strategic Plan 2016–2020. Some highlights in 2015 are summarised below.

1. Strategy and strategic projects
 - a. Supported the development of the Pacific Community Strategic Plan 2016–2020.
 - b. Business planning: Supported all teams across SPC, including alignment with the Strategic Plan, and facilitated further integrated work.
2. Monitoring, evaluation, learning (MEL) and reporting
 - a. Developed a Strategic Results Framework to support the Strategic Plan.
 - b. Developed the performance management policy, *Planning, evaluation, accountability, reflection and learning (PEARL)*, which sets out requirements across the organisation for managing the implementation of the Strategic Plan.
 - c. Developed logic frameworks for key programmes, including for SPC's response to cyclone Pam.

3. Strategic relationships and resource mobilisation
 - a. Facilitated development of strategic relationships.
 - b. Developed a draft resource mobilisation strategy.
 - c. Facilitated EDF 11 programming for overseas counties and territories (OCTs).
4. Country programming
 - a. Completed country programmes for all members for 2015, and provided data for country programme reports.
5. Corporate projects
 - a. South-South cooperation project (New Zealand funded).
 - b. PACE-NET: Collaboration between European and Pacific Universities and SPC (EU funded).
 - c. Worked with PIFS to develop the terms of reference for the CROP review of Collective Governance and Financing of Regional Organisations.

1.3 Educational Quality and Assessment Programme

The Educational Quality and Assessment Programme (EQAP) has continued to evolve within the SPC family in the first months of 2016. The shift to making the Pacific Board for Education Quality (PBEQ) a specially mandated subcommittee of CRGA has been completed, and draft terms of reference have been developed for presentation at CRGA 46. EQAP has continued to work in the areas of outcomes-based education, teacher competencies and leadership standards as they relate to educational quality. The Pacific Benchmarking for Education Results (PaBER) project is winding up, with a consolidation of the results and final reporting on the pilot to occur in June 2016. The Pacific Islands Literacy and Numeracy Assessment (PILNA) was carried out in 13 countries in the final quarter of 2015, and the results are being released on 30 June. Good progress is being made in integrating SPBEA into SPC, and a new business plan has been produced, which is aligned to the Pacific Community Strategic Plan. Securing ongoing funding for EQAP remains a challenge.

1.4 Regional Rights Resource Team (RRRT)

Highlights of RRRT's work include the following:

Fiji MPs Policy Dialogue, in partnership with the Ministry of Women, Children and Poverty Alleviation of the Government of Fiji, UN Women, Fiji Women's Crisis Centre (FWCC): RRRT supported 30 Fiji parliamentarians to understand human rights and the Domestic Violence Decree, to eliminate myths around domestic violence in the Fiji context. (Funded by Australian Aid and the EU; with support from Australian and Tongan judicial officers.)

Republic of Marshall Islands (RMI) Nitijela (parliament) Human Rights Induction: In partnership with UNDP and with support from Australian judicial officers, RRRT facilitated a two-day interaction with the Nitijela, addressing the human rights priorities for RMI. (Funded by Australian Aid and the EU.)

In February 2016, RRRT, in partnership with the Ministry of Justice and the Ministry of Women, Youth, Children and Family Affairs, provided training to judges, magistrates, police and other service providers, around the recently enacted Family Protection Act. (Funded by Australian Aid and UN Women.)

In January, RRRT supported Palau and Solomon Islands delegations to the Human Rights Council in Geneva throughout the countries' respective Universal Periodic Reviews. RRRT is supporting the Government of Samoa in its preparations for its Universal Periodic Review.

Planned activities for 2016 and beyond include:

- Hosting a Human Rights Induction for Vanuatu MPs.
- Launching a Pacific Human Rights Situational Analysis, in partnership with UN OHCHR.
- Launching a Statistical Guideline for Pacific Island Countries' Treaty Reporting processes.

RRRT has undergone an independent evaluation of its work, resulting in an overall recommendation for DFAT to continue funding it.

RRRT's mix of accessibility, expertise, cultural competency, responsiveness, flexibility, and 'brand' reliability, is singular in the Pacific. Over time, it has contributed to a deeper culture of human rights and created a pathway for a cadre of skilled human rights actors throughout the region.

(Independent evaluation, 2016)

1.5 Social Development Programme (SDP)

The Social Development Programme, which encompasses the gender, youth and culture teams, is responsible for promoting SPC's work in these three critical areas. The nature of the team's work will evolve over time, including changing the scope of the work and ways of working to ensure a primary focus on mainstreaming of gender, youth and culture issues throughout SPC's development programmes. As a stand-alone programme of SPC, SDP delivered significant achievements in 2015 and 2016 in the following work areas.

Work area 1: Technical support for PICTs on mainstreaming, policy analysis from a gender, youth and cultural perspective, including knowledge development, and support for engagement at global policy discussions.

Work area 2: Regional action to advance social development in PICTs, including regional coordination among CROP agencies and development partners to improve the delivery of social development programmes in PICTs.

Work area 3: Internal mainstreaming and integration of gender, youth and culture across SPC programmes.

2.0 Geoscience Division (GSD)

An independent review of GSD in 2015 confirmed that SPC members value the work of the division and affirmed that the current work programme aligns well with the priorities of the region. The division is respected by stakeholders in the region. GSD has been a major contributor to SPC's response to tropical cyclone Winston in Fiji, including support and staff attachments to Fiji's National Disaster Management Office (NDMO), strong support to the post-disaster needs assessment, and field surveys to estimate ocean run up in villages for future planning response. GSD's remote sensing unit provides continuous assessments of village and crop damage.

Staff from the Water and Sanitation programme have provided technical support and advice to RMI in response to the drought experienced there, as well as similar support to Cook Islands, Kiribati, Tokelau and Tuvalu. New initiatives include the USD 93 million Ridge to Reef programme, in 14 countries, on land and reef management, funded by the Global Environment Fund (GEF). The goal of the programme is to *maintain and enhance Pacific Island countries' ecosystem goods and services (provisioning, regulating, supporting and cultural) through integrated approaches to land, water, forest, biodiversity and coastal resource management that contribute to poverty reduction, sustainable livelihoods and climate resilience.*

SPC was identified by the GEF as a regional executing partner to lead programme coordination, due to its success in managing regional initiatives of the GEF, as well as SPC's existing capacities in a wide range of areas relevant to programme implementation

GSD is also exploring opportunities in geothermal energy, with potential support from the Japan and New Zealand governments. The division is also looking at developing large, integrated programme services for atoll adaptation to rising sea levels, including land reclamation schemes that build atolls to higher levels, improve coastal protection and even create new islands, where possible.

3.0 Land Resources Division (LRD)

The Land Resources Division provides technical, scientific and policy advice and services to PICTs in the areas of genetic resources, plant and animal health, crop production, agricultural trade, biosecurity, agricultural policy development, and sustainable land, agriculture and forestry resources development and management, including organic agriculture. Cornerstones of these services are enhancing resilience to climate change, the management of disaster risk, improving food security, and ensuring sustainable agriculture and sustainable management of land resources. These areas are also prominent in the Sustainable Development Goals.

SDG 2, which is dedicated to ending hunger and food insecurity, improving nutrition and promoting sustainable agriculture, is particularly relevant to LRD's work. The link between food security and land resources features significantly in SDG 15, ecosystems, biodiversity, forests and land. The goals on gender (SDG 5), water (SDG 6), economic growth and employment (SDG 8), climate change (SDG 13), and consumption and production (SDG 12) are also relevant.

A key feature of LRD's work in 2015 was its use of ICT to facilitate transparency and stronger engagement for agriculture sector planning and to launch several innovations. LRD has established the Agriculture Policy Bank for 15 PICTs – a user-friendly electronic repository containing PICTs' key agriculture sector policies, aimed at increasing access to policy and policy-related information. The Pacific Agriculture and Forestry Policy Network (PAFPNet) connects policy-makers, farmers, youth and key stakeholders in over 20 PICTs.

As part of its Youth in Agriculture Strategy, LRD trained youths from five PICTs in social media reporting, as part of its media strategy at the first-ever Pacific Community Agritourism Week, held in Fiji. The Improving Key Services to Agriculture (IKSA) project undertook a pilot programme using mobile phones as a cheap and convenient way to facilitate information symmetry, enabling over 400 farmers in Fiji to get up-to-date information on markets, prices, crop yields, seed sources and varieties, and pest incidence.

LRD supported Cook Islands in establishing an Agriculture Market Information System, AgIntel – the first of its kind in the region – which is designed to capture vital information for effective agricultural policy development.

LRD is also championing the use of ICT to support the implementation of agricultural national plans of action, with Samoa soon to be the first Pacific Island country to establish a full Monitoring and Evaluation Management Information System to support Samoa's new Agriculture Sector Plan.

SPC's Centre for Pacific Crops and Trees (CePaCT) provides world-class scientific and technical advice to members. It has been identified as a potential *area of excellence* for SPC, as part of the implementation of the Strategic Plan. The Pacific Soils Partnership and Organic Agriculture are other potential areas for consideration as areas of excellence.

4.0 Economic Development Division (EDD)

EDD is currently undergoing an independent external review, based on the same methodology as that used for GSD and LRD. The aim of the review is to determine the division's 'fitness-for-purpose', and to help shape its core functions and priorities. Early review findings confirm that development partners and SPC members place considerable importance on the work of the division, especially in the management of regional frameworks for transport (primarily shipping) and energy. The review has also identified a number of areas for development within the division, including the need to invest in building a coherent team and implementing a new area of work on energy efficiency in the shipping industry.

5.0 Fisheries and Marine Ecosystems (FAME) Division

A. Oceanic Fisheries Programme (OFP)

Significant achievements since last CRGA:

- FAME-OFP continues to enhance the management and utilisation of tuna fisheries data through the deployment of the new TUFMAN2 system, which is now installed in offices of eight member countries. TUFMAN2 has been extended for use on mobile devices so that data can be collected directly at sea or at the point of landing.
- In 2015 FAME-OFP completed the 11th Pacific Tuna Tagging Programme (PTTP) research voyage. The PTTP information is critically important in assessing the current status of tuna stocks in the Western and Central Pacific Fisheries Commission (WCPFC) and in understanding tuna ecology.
- In 2015 WCPFC Commission members adopted a target reference point (TRP) for skipjack tuna within the WCPO. TRP was championed by the Parties of the Nauru Agreement (PNA and Tokelau), and aims to ensure stability in yield, revenue and employment within the fishery for PICTs.

Planned activities:

- Development of approaches to evaluate alternative harvest strategies for the WCPO to identify those that best achieve management objectives.
- Working with research partners in Australia, New Zealand and France to explore the impacts of climate change-induced ocean acidification on Pacific oceanic fisheries.
- Deploy new eReporting features for the TUFMAN2 system.

B. Coastal Fisheries Programme

For the first time, in 2015 FAME's Coastal Fisheries Programme was involved in post-disaster needs assessments (PDNAs). All three sections of the programme were involved in the PDNA in Vanuatu following tropical cyclone Pam, and in Chuuk in the Federated States of Micronesia, following typhoon Maysak. In 2016 the focus will be on rehabilitation activities in Vanuatu in the small-scale fisheries and aquaculture sectors, with funding provided by the Government of Germany through KfW.

B.1 Fisheries development

In 2015 FAME staff provided assistance to countries to develop and establish sustainable fish aggregating device (FAD) programmes, with eight countries (American Samoa, Cook Islands, Fiji, Kiribati, Niue, Samoa, Tuvalu and Solomon Islands) now having funding for FADs in their recurrent fisheries budgets. In 2016

priority projects include testing of a bait catching platform ('bagan'), funded through a partnership with the Forum Fisheries Association (FFA). Staff will also test a new design vessel (trimaran – KIR 26 design) for small-scale tuna longlining in Kiribati, funded by New Zealand's MFAT. The vessel was built by a private boatyard in Kiribati.

B.2 Aquaculture

In 2015 assistance was provided to Papua New Guinea, in collaboration with the National Fisheries Authority and the University of PNG, to develop a hatchery for breeding trials and grow-out of the giant freshwater *Macrobrachium* prawn species (a native species). Capacity development was undertaken with aquaculture farmers, communities and fishers. Implementing the regional framework for aquatic biosecurity will be a major focus in 2016, working with members to develop national policies and systems that will complement the regional framework. Staff will work to strengthen national capacity in fish feed formulation in several PICTs.

B.3 Science and management

In 2015 a regional strategy was developed to promote and enable the expansion of community-based ecosystem approaches to fisheries management (CEAFM). The strategy, 'A New Song for coastal fisheries – pathways to change', was endorsed in 2015. In 2016 the focus will be on improving staff capacity in Tonga's Fisheries Department to conduct creel survey and data analysis, biological sampling and invertebrate surveys. The section is working with Fiji's Fisheries Department and other agencies to develop a national fisheries policy.

B.4 Information

The expansion of the FAME digital library has continued – the total number of fully searchable documents in the FAME digital library is now around 10,000. Twenty-four information products (national and regional) were produced (with SPC's Publications Section). In 2016 the priority will be on implementing and distributing the Teachers' Resource Kit on Fisheries for Vanuatu, and producing an 'Identification guide to the common coastal food fishes in the Pacific Islands region'.

6.0 Public Health Division (PHD)

The Public Health Division provides specialised information and advice to SPC members to support their capacity to provide essential public health services. Significant achievements in 2015 and 2016 include the following:

- Strengthening the regional architecture for health, including involvement in the development of the Healthy Islands Monitoring Framework and the ongoing strengthening of partnerships with other agencies.
- Post-disaster assistance to PICTs, including assistance to Fiji post-cyclone Winston, through the provision of on-the-ground lab strengthening support and technical advice on surveillance and nutrition through health and nutrition clusters.
- Support for PICTs during the Zika outbreak, through technical assistance in the development of the Fiji National Zika Plan, especially with lab testing support and advice; and new arrangements for testing for arboviruses, with the Institute of Environmental Science and Research (ESR) in New Zealand and Institut Pasteur de Nouvelle-Calédonie (IPNC) in Noumea.
- Assisted with communicable disease risk communication assessment and plan to support Guam's Department of Public Health and Social Services (DPHSS), and targeted strategic health

communication (SHC) as part of preparations for hosting the Festival of the Pacific Arts, hosted by Guam, in May/June 2016.

- Contributed to SPC's technical assistance to the Ministry of Health and Medical Services (MHMS) Health Nutrition Cluster, in response to tropical cyclone Winston recovery.
- Provided an update on technical guidance in response to the new global development to fast-track ending AIDS, and contributed to regional technical partners' recommendations to the Pacific Islands Regional Multi-Country Coordinating Mechanism (PIRMCCM) on HIV and sexually transmitted infections (STIs).
- Co-hosted (with WHO) the Pacific Heads of Health Meeting, 27–28 April 2016.
- Co-hosted the Pacific NCD Summit in Tonga (20 –22 June), in association with the World Diabetes Federation, supported by WHO, World Bank, Australia's DFAT and New Zealand's MFAT.

PHD's activities of significance planned for 2016 include the following:

- Continuing human resources capacity building.
- Post-disaster assistance.
- Joint country visits with other members of the Non-communicable Diseases/Food Security (NCDs/FS) Working Group, to pilot work in Kiribati, Solomon Islands and Tonga.
- Collaboration with partners on the cervical cancer proposal, through the Framework for Pacific Regionalism.
- Final closure of grants for the Global Fund formerly managed by SPC's (now closed) Grants Management Unit.

PHD is negotiating a possible partnership with the Agence Française de Développement (AFD) from 2017 for Pacific Public Health Surveillance Network (PPHSN) activities (approx. EUR 2–3 million). SPC budget challenges have had immediate impact on the ability of PHD to recruit staff, and accordingly the recruitment of some important posts will be delayed.

7.0 Statistics for Development Division (SDD)

In 2015 SDD made significant inroads into three main areas, which are described below:

1. Improving administrative databases and associated management information systems in three critical areas:
 - a. Civil registration and vital statistics (CRVS) – the success of CRVS development to date is largely due to an effective partnership involving 12 technical agencies, universities, financial partners and professional associations under the Brisbane Accord Group umbrella.
 - b. The establishment of a regional technical support facility for national education management information systems (EMIS), to improve collection, analysis and reporting of education statistics.
 - c. Economic statistics, mainly in the areas of business registers and trade statistics.
2. Increasing the adoption of common regional statistical methodologies and classifications:
 - a. Agreement by countries to employ a common Pacific household income and expenditure survey methodology and questionnaire, which not only contributes to better quality and truly comparable statistics, but is more efficient, in enabling the use of the same training materials, data capture/processing/tabulation systems, and standard reporting templates.

- b. Development of a common core set of population census modules – most of the information is gathered through common questionnaires, with efficiency gains for PICTs.
3. Increased statistical advocacy and communication of statistics, which has been accomplished through disseminating posters and videos, infographics and thematic fact-sheets, a redeveloped Pacific Regional Information System (PRISM) website, and a regularly updated development indicator database.

Key activities for SDD in 2016 include the following:

1. Complete the implementation and subsequent analysis of five household income and expenditure surveys in Cook Islands, Niue, Tokelau, Tonga and Tuvalu, while assisting four of these countries (all but Tuvalu), and Samoa, in conducting their 2016 Census of Population and Housing.
 2. Undertake a regional SDG indicator availability assessment, in collaboration with key CROP agencies and 15 Pacific Island countries' national statistical systems.
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Annex 2 - Summary of progress on implementing CRGA 45 decisions

Context	CRGA 45	Implementation status
AGENDA ITEM 2 – DIRECTOR GENERAL’S REPORT		
<p>The Director-General presented an overview of key activities undertaken in 2015 to consolidate SPC’s position as the leading scientific and technical agency in the Pacific region supporting sustainable development in member states and territories. The ‘change agenda’ initiated in 2014 to ensure SPC’s fitness for the future, including analysis of priorities and retention of core capabilities, continued in 2015 with a focus on developing the new Pacific Community Strategic Plan 2016–2020. Multi-year business plans for SPC’s technical work, including integrated programming approaches, will align with the strategic plan, and monitoring, evaluation and learning will be strengthened to underpin improvements in effectiveness. A sustainable and predictable financing regime is critical for the future, with SPC’s current reliance on project funding and the imbalance between project and core funding bringing risks and constraining strategic allocation of resources. In this regard, the partnership agreements signed between SPC and Australia, New Zealand and the European Commission allow greater flexibility of resource use. Improving the way CROP (Council of Regional Organisations in the Pacific) agencies work together, particularly in implementing the Framework for Pacific Regionalism, is also fundamental to more efficient use of resources and the best development outcomes for the people of the Pacific Islands region.</p>	CRGA recommends to Conference that it:	
	i. acknowledge the Pacific Community’s (SPC’s) achievements in 2015;	
	ii. note progress on the SPC ‘Change Agenda’, including the new ‘headline’ structure that was discussed during consultation on the new Strategic Plan;	
	iii. <i>direct the secretariat and encourage members to participate actively in the CROP Governance and Finance Review;</i>	Paper to be presented to CRGA 46 under the Framework for Pacific Regionalism, agenda item 6
	iv. approve the efforts of the secretariat and members to enhance the Pacific Community’s outreach, visibility and partnerships, and mandate continuation of these efforts;	
	v. endorse the secretariat’s initiative to clearly identify priority areas of work and to focus resources accordingly, in line with the Pacific Community Strategic Plan 2016–2020;	
	vi. provide guidance, as appropriate, to the secretariat on the key challenges facing SPC in terms of governance,	

	<p>partnerships, the regional architecture and CROP agency coherence;</p>	
	<p>vii. note the fragile financial situation of SPC, approve the objective of increasing core funding to around 35% of the total budget and agree on exploring opportunities for cost-sharing on specific services and resource mobilisation in general, with a full financial outlook statement to be presented to CRGA 46 in June 2016;</p>	<p>Financial outlook and financing strategy to be presented under agenda item 7</p>
	<p>viii. note that the secretariat has determined that the organisation should revert to using its formal name 'the Pacific Community' ('la Communauté du Pacifique'), adopted by the 37th South Pacific Conference in 1997 to replace 'the South Pacific Commission' and reaffirmed by Resolution of the 8th Conference of the Pacific Community. This will rectify the informal practice of referring to the organisation as 'the Secretariat of the Pacific Community', which has developed over past years. Note also that the Pacific Community ('la Communauté du Pacifique') refers to members and the secretariat as a whole, as does the abbreviation, 'SPC' ('CPS');</p>	<p>Completed in November 2015</p>
	<p>ix. note the updated Pacific Community logo and associated visual identity.</p>	<p>In effect</p>

AGENDA ITEM 3 – GOVERNANCE REVIEW: IMPLEMENTATION OF RECOMMENDATIONS

<p>The Governance Review conducted in 2014 made nine recommendations designed to strengthen the organisation’s governance. As a result, CRGA meetings will now take place mid-year rather than at the end of the year; the role of the Conference of the Pacific Community has been clarified; the scope of the Audit and Risk Committee has been widened to include budget and major assets acquisitions; a CRGA subcommittee was established to lead the development of SPC’s new Strategic Plan; and an orientation session for delegates will be held before CRGA 46.</p> <p>A preliminary draft of the terms of reference for CRGA has been developed for consultation, and will be shared in the near future with members. Members themselves must implement the recommendation encouraging continuity of representation at meetings, acknowledging that some members have retained the same representatives over a period of time. There will also be a review of increasing SPC’s presence in strategic locations around the region.</p>	<p>CRGA 45 recommends to Conference that it:</p>	
	<p>i. <i>acknowledge continued progress in implementing the recommendations of the Governance Review and the constraints to full implementation of some recommendations;</i></p>	<p>To be presented under agenda item 5 – Governance review implementation</p> <p>Governance training to take place on 28 June 2016</p>
	<p>ii. note the importance of the principle of continuity of representation at CRGA and that members have provided an update to CRGA;</p>	<p>Members’ responsibility</p>
	<p>iii. <i>note that CRGA has decided to convene CRGA 46 in the second half of June 2016.</i></p>	<p>CRGA to be held from 28 to 30 June 2016</p>

AGENDA ITEM 4 – MEMBERSHIP POLICY
AGENDA ITEM 4.1 – UPDATE ON TIMOR LESTE MEMBERSHIP

CRGA 43 and the 8th Conference of the Pacific Community approved a resolution extending the territorial scope of the Community to include Timor Leste. This resolution entered into force on 19 November 2014. On that basis, CRGA 44 mandated the secretariat to extend a formal invitation to Timor Leste to join the Pacific Community. By diplomatic note dated 9 February 2015, the Government of Timor Leste was formally invited to join the Pacific Community and informed of the procedure that must be followed to accede to the Canberra Agreement and thus become a Participating Government. The secretariat was advised that this accession would require the approval of Timor Leste's Council of Ministers and Parliament and, following meetings with the Minister and Vice-Minister of Foreign Affairs of Timor Leste, is awaiting further information on the completion of these internal processes. It is expected they will be completed in the near future.

CRGA 45 recommends to Conference that it note the progress of discussions with Timor Leste on its potential membership of the Pacific Community.

Timor Leste still reviewing question of membership and likely to seek ASEAN membership first

AGENDA ITEM 4.2 – POLICY ON MEMBERSHIP AND PERMANENT OBSERVER STATUS

Following the decision of CRGA 43 that a working group should explore new categories of associate membership and observer status, CRGA 44 requested that the secretariat develop, in consultation with members, an SPC Policy on Permanent Observer Status setting out the criteria, admission procedure, treatment and expectations associated with such status and to provide a draft of the policy to the 9th Conference of the Pacific Community for adoption. The Pacific Community Policy on Membership and Permanent Observer Status that has been developed for approval is a non-legally binding document that aims to provide a clear administrative and procedural guide to membership of the Pacific Community and to permanent observer status. It is also an important tool for facilitating outreach and developing long-term partnerships for the benefit of the region. The policy has undergone legal review and is consistent with the existing provisions of the Canberra Agreement. It thus does not require any amendment of the Agreement and preserves the status of all current members of the Pacific Community.

CRGA 45 recommends to Conference that it adopt the resolution that will introduce the Pacific Community Policy on Membership and Permanent Observer Status.

Adoption in place

EU has been invited to be a permanent observer

AGENDA ITEM 5 – GOVERNANCE AND FOCUS ON EDUCATIONAL QUALITY AND ASSESSMENT PROGRAMME (FORMERLY SPEQ)

<p>A special meeting of the Pacific Board for Educational Quality (PBEQ) in February 2015 agreed that the name PBEQ will be retained and that the work programme will be named the Educational Quality and Assessment Programme (EQAP). It was also agreed that, since EQAP is now an integral part of SPC, the governing body for EQAP will be CRGA and, ultimately, the Conference of the Pacific Community. However, due to the specialised nature of EQAP’s activities, it was proposed that PBEQ should become a specially mandated subcommittee of CRGA, retaining its advisory roles and all other functions, which include accreditation of high school qualifications, providing advice to SPC on developments in educational assessment and quality, and priority areas for its work. The programme will therefore be accountable directly to the Director-General of SPC and the PBEQ will report to CRGA annually on EQAP activities at governance level. The Director-General also clarified how EQAP services will be delivered to members.</p>	<p>CRGA 45 recommends to Conference that it:</p>	
	<p>i. approve the role and function of the Pacific Board for Educational Quality as a subcommittee of CRGA;</p>	<p>Completed</p>
	<p>ii. acknowledge and approve the new name of the programme, that is, the Educational Quality and Assessment Programme;</p>	<p>Completed</p>
	<p>iii. approve the awarding and accrediting authority of SPC;</p>	<p>Completed</p>
	<p>iv. <i>authorise the development and adoption of a revised mandate and terms of reference for the Pacific Board for Educational Quality as a subcommittee of CRGA.</i></p>	<p><i>A face-to-face meeting of the PBEQ was convened on 16 March 2016, the day before the PILNA steering committee meeting. A revised mandate and terms of reference were presented to the former PBEQ before the March meeting. The group reviewed the revised terms of reference and after discussion, adopted it with changes made as per the discussion. The output from the meeting was that the revised terms of reference be presented to CRGA and that its adoption by CRGA be recommended. Because the subcommittee/PBEQ met face to face in March, the meeting recommended for the week following CRGA is no longer necessary. The next meeting of the subcommittee will be no later than 8 weeks before CRGA 47 as per the revised terms of reference.</i></p>

AGENDA ITEM 6 – FRAMEWORK FOR PACIFIC REGIONALISM

<p>In a joint presentation by the Pacific Islands Forum Secretariat (PIFS) and SPC, CRGA was updated on the implementation of the Framework for Pacific Regionalism and the secretariat's submissions to the Specialist Sub-Committee on Regionalism (SSCR) of the Forum Officials' Committee (FOC). The SSCR recommended five priorities to Forum Leaders that were submitted through the inclusive, public policy process: (a) increased economic returns from fisheries activity and maritime surveillance; (b) climate change and disaster risk; (c) information and communications technologies; (d) West Papua; and € cervical cancer screening and prevention. SPC is committed to implementation of the Framework, in areas within SPC's mandate, recognising it as a public priority setting process, but also recognising that not all its members are involved in the Framework process and that no new resources are currently available to address the priorities referred to it.</p>	CRGA 45 recommends to Conference that it:	
	<p>i. acknowledge the secretariat's engagement in the Framework for Pacific Regionalism and the submissions made to the Specialist Subcommittee on Regionalism;</p>	Work in progress
	<p>ii. decide that the submissions on the Pacific Youth Development Framework, and Organic Islands: Growing our future through organic and ethical trade should be further analysed and presented to CRGA 46 for consideration;</p>	<p>To be considered under agenda item 6</p> <p>To be considered under agenda item 6</p>
	<p>iii. urge continued efforts by the secretariat to make progress on the submissions to the Specialist Subcommittee, particularly those requiring the attention of Pacific ministers, and ask that their status be reported to CRGA 46;</p>	
	<p>iv. recognise that SPC would require additional resources to implement leaders' decisions on regional priorities that are relevant to SPC, and urge that these resources should not be drawn from existing budgetary allocations.</p>	Noted

AGENDA ITEM 6 B – STRENGTHENING COHERENCE THROUGH THE COUNCIL OF REGIONAL ORGANISATIONS IN THE PACIFIC

<p>Noting that CROP exists to ensure that regional organisations, including SPC, pursue their collective aim of achieving sustainable development in Pacific Island countries and territories in the most effective and efficient manner, CRGA was updated on the CROP Chair’s report on issues including the role of CROP in the Framework for Pacific Regionalism; strengthened regional coordination in engaging with external donors/financiers; and coordinated support to countries both regionally and internationally. The report proposed several recommendations that later became the decisions of the Forum Officials Committee including encouraging CROP agencies to continue their coordinated engagement with external donors, e.g. in relation to the 11th European Development Fund. A proposed study of regional governance and financing will serve to identify opportunities to strengthen the collective work of CROP. Draft terms of reference being developed for the study, with input from SPC, will take into account recommendations from the Pacific Community’s governance review.</p>	<p>CRGA 45 recommends to Conference that it:</p>	
	<p>i. acknowledge the report of the Chair of the Council of Regional Organisations in the Pacific (CROP) and approve the recommendations of the report;</p>	Presented under CRGA agenda item 6
	<p>ii. reaffirm that the secretariat should continue working towards improved CROP coordination, while preserving the interests of the Pacific Community;</p>	Presented under CRGA agenda item 6
	<p>iii. note that management of CROP cohesion in relation to the Pacific Community rests with the Director-General, who will initiate requests with CRGA’s guidance when faced with issues impacting the governance of the organisation.</p>	
	<p>iv. decide to actively participate in the study of regional governance and financing, ensuring adequate representation from Pacific Community members on any review team or working group;</p>	
<p>v. urge that CROP agencies increase their efforts to improve cohesion with the aim of enhancing service delivery to member countries and territories.</p>	Work in progress	

**AGENDA ITEM 7 – PRESENTATION OF THE PACIFIC COMMUNITY STRATEGIC PLAN 2016-2020
(CLOSED SESSION FOR CRGA MEMBERS ONLY)**

AGENDA ITEM 8 – PRESENTATION OF THE PACIFIC COMMUNITY STRATEGIC PLAN 2016-2020

**(RECOMMENDATIONS FOR CRGA TO CONSIDER REGARDING THE PACIFIC COMMUNITY STRATEGIC PLAN –
paper presented by the CRGA Strategic Plan Subcommittee developed in the closed session of the Strategic Plan Subcommittee and CRGA
representatives)**

<p>A special session of CRGA met on 1 November 2015 to make final recommendations to CRGA on the draft Pacific Community Strategic Plan 2016–2020 and its implementation. The meeting discussed and agreed on amendments that had been put forward after the final draft of the Plan was circulated to members for comment. It was also agreed that a CRGA subcommittee (CRGA Subcommittee on Strategic Plan Implementation) should be established to monitor the implementation of the Plan. The draft terms of reference for the subcommittee and its scope and membership were discussed. CRGA requested that the members of the Pacific Community Strategic Plan Subcommittee consider the composition of the new subcommittee and make recommendations to CRGA.</p>	<p>CRGA is invited to:</p>	
	<ul style="list-style-type: none"> i. Approve the draft Pacific Community Strategic Plan 2016–2020 as submitted, and as edited (in accordance with discussion between members) to reflect the following: <ul style="list-style-type: none"> a. Clarifying the role of the secretariat within the Pacific Community b. Emphasising and prioritising the mainstreaming of social development (gender, culture, youth and human rights) c. Basing further ‘areas of excellence’ on appropriate evidence and in consultation with CRGA d. Pursuing further internal effectiveness and efficiencies e. Recognising that in respect of climate change (page 5 of 	

	<p>the Strategic Plan) SPC should work in areas within SPC’s mandate.</p>	
<p>ii. Agree to establish a CRGA Subcommittee on Strategic Plan Implementation – to assist the CRGA’s governance role of overseeing the implementation of the Strategic Plan and to provide regular opinions and advice back to CRGA. The terms of reference for this Subcommittee are attached.</p>	<p>Subcommittee was established with first meeting to take place 18–19 May 2016</p>	
<p>iii. Determine the CRGA Subcommittee membership by first seeking volunteers in CRGA to be members, recognising the membership requirements and representation of the composition of the Pacific Community, including the following constituencies: Melanesia, Micronesia, Polynesia and French-speaking and metropolitan members. If there are more volunteers than members, the CRGA will decide how to reduce this number. For example this may be by seeking volunteers to withdraw their interest, by constituency representation or by another method to be determined by CRGA.</p>	<ul style="list-style-type: none"> • Subcommittee was established in accordance with requirements for representation 	

AGENDA ITEM 9 – OPERATIONS AND MANAGEMENT DIRECTORATE REPORT

AGENDA ITEM 9.1B – RENEWAL OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee was created by CRGA 42 with a three-year tenure for committee members, from October 2012 to December 2015. The committee has met regularly over this period and provided valuable guidance to the secretariat, at the same time developing in-depth insight into SPC operations. For reasons of continuity and quality of advice, the secretariat requested that CRGA consider reappointing the current committee members for a further three years and proposing the renewal of the Chair to Conference, while noting the need for succession planning to ensure the excellent work of the committee carries on in future.

CRGA recommends that Conference reappoint the current Chair of the Audit and Risk Committee for a further three-year term, and note CRGA’s decision to reappoint the two other members of the Audit and Risk Committee for the same term.

Notifications were made in November 2015

AGENDA ITEM 9.2 – FINANCIAL YEAR ACCOUNTS AND UPDATE ON ASSESSED CONTRIBUTIONS

The audited 2014 SPC financial statements and audit reports and an update on the status of membership contributions were presented for the consideration of CRGA. For the 19th consecutive year, the records for both SPC’s overall finances and the Staff Provident Fund received unqualified audit opinions for the financial year 2014. As at 1 November 2015, 17 of

CRGA recommends that Conference:

- i. Concerning the 2014 financial statements:
 - a. Accept the 2014 audited financial statements as

Work in progress

<p>SPC's 26 members have fully settled their assessed contributions to SPC. The majority of members made significant efforts to make payments in full or in part during the year. The total outstanding amount of assessed contributions was 2,806,958 CFP units (approximately USD 3.1 million). Seven members have outstanding 2015 contributions but no significant arrears, while two members have significant arrears totalling 711,370 CFP units.</p>	<p>unqualified, and as presenting a true and fair view of the financial position and financial performance of the Pacific Community and of its Staff Provident Fund, and note that proper accounting records have been kept;</p>	<p>Continued follow-up with affected members Development of payment plan</p>
<p>ii. Concerning the status of assessed contributions:</p> <p>a. Acknowledge the significant efforts made by many members;</p> <p>b. Request those members with outstanding contribution, in particular those with arrears, to settle these as early as possible;</p> <p>c. Request members with financial difficulty to agree on a payment plan with the secretariat.</p>		

AGENDA ITEM 9.3 – 2015 REVISED BUDGET AND 2016 PROPOSED BUDGET

<p>SPC's revised budget for 2015 and proposed budget for financial year 2016 were presented to CRGA. The revised 2015 budget was a balanced budget, totalling 113.978 million CFP units. Overall, the 2015 revised budget reflected a small increase of 3.027 million CFP units compared to the original budget of 110.951 million CFP units. For 2016, a balanced budget of 93.39 million CFP units was proposed, comprising a core budget of 26.986 million CFP units, and programme and project funding of 66.404 million CFP units. This is a decrease from previous years due mainly to a gap between the end of cycles of project funding and the start of new cycles (e.g. European Development Fund). CRGA's attention was drawn to a</p>	<p>CRGA recommends that Conference:</p>	
	<p>i. note the revised 2015 budget;</p>	
	<p>ii. approve the proposed budget for financial year 2016;</p>	
	<p>iii. approve the secretariat's request to use 600,000 CFP units from reserves to fund priorities and initiatives under the new Pacific Community Strategic Plan in 2016;</p>	

<p>projected deficit of 2.597 million CFP units in 2017 and 3.818 million CFP units in 2018. To balance the 2016 budget, the secretariat was able to cover a deficit of 1.2 million CFP units by means of internal cost savings across technical divisions and operations and management. The secretariat contributed funding to SPC's reserves in the 2016 budget in response to previous requests from CRGA to build up the reserves, noting that further details on this issue will be presented to CRGA 46. The secretariat is committed to addressing the projected budget deficits and to raising the resources necessary to fund initiatives under the Pacific Community Strategic Plan 2016–2020, including through the appointment of a new Director of Finance and the full implementation of sustainable financing initiatives over the next three budget cycles and thereafter as a matter of course.</p>	<p>iv. recognise the serious budgetary situation for 2017 and 2018;</p>	
	<p>v. acknowledge the positive efforts made by the secretariat to strengthen SPC's reserves;</p>	
	<p>vi. approve the secretariat's plans to further develop and fully implement a sustainable financing strategy, including cost recovery and priority setting mechanisms, over the next three budget cycles and thereafter as a matter of course.</p>	<p>Paper on financing strategy to be presented to CRGA under agenda item 7</p>

AGENDA ITEM 9.4A – COUNCIL OF REGIONAL ORGANISATIONS IN THE PACIFIC (CROP) – TRIENNIAL REVIEW 2015

<p>Four members of CROP – the Forum Fisheries Agency (FFA), Pacific Islands Forum Secretariat (PIFS), Pacific Community (SPC) and Secretariat of the Pacific Regional Environment Programme (SPREP) – have adopted a ‘harmonised’ approach to their remuneration principles and practices, with triennial reviews of remuneration principles and practices, including terms and conditions, for positions advertised internationally. The 2015 CROP Triennial Review was conducted by AON Hewitt, which recommended establishing a separate banding structure for CEOs that reflects the size of the organisation and scope of the role; bonuses for high-performing staff; extension of the current reference market used to set remuneration for internationally recruited staff; and a change in the reference currency from Special Drawing Rights (SDR) to a new currency. The review also recommended the establishment of an inter-agency committee of the four participating CROP governing bodies to support and facilitate recommendations and decision-making in relation to implementation of CROP harmonisation.</p>	<p>CRGA recommends that Conference approve:</p>	
	<p>i. retention of the principle of CROP harmonisation, while endorsing the need to update the guiding principles and strategies to ensure a balance between consistency and flexibility;</p>	
	<p>ii. SPC engaging with the future inter-agency committee on remuneration of the four CROP agencies;</p>	
	<p>iii. provide more analysis of the suggested provision of bonuses for high performers and the existing performance management system no later than CRGA 46;</p>	<p>Paper to be presented under agenda item 7</p>
<p>iv. refer to the inter-agency committee, the issues of:</p> <ul style="list-style-type: none"> a. creation of a separate salary band for the position of SPC Director-General, consistent with the recommendation of the triennial review; b. extension of the reference market for positions advertised internationally to include the United States of America and organisations under the International Civil Service Commission; c. adoption of the US dollar or the Euro as a new reference currency for SPC operations. 	<p>Consideration of these options is continuing CROP Executives were advised of the decision</p>	

AGENDA ITEM 9.4B – ANNUAL MARKET DATA REVIEW AND FISCAL YEAR 2016 SALARY SCALES AND SALARY REVIEW

<p>The 2016 SPC salary scales for positions advertised internationally (PAI) and for positions advertised locally (PAL) in each of SPC's four host countries were proposed in accordance with the recommendations of the 2015 CROP Triennial Review. Noting that remuneration harmonisation between CROP members continues to be challenging and that the Pacific Community generally has the lowest salary scales among the CROP agencies, a general salary increase of 2% was recommended across all position types and locations. The cost is provisioned in the 2016 budget. An increase of 4% in the mid-point of all salary bands was also proposed as a means to allow scope for movement to staff at the top end of their bands. This measure will not have a significant budgetary impact. Members also requested that the secretariat include in budget summary documents the total salary mass of the organisation and how it develops and changes over time, especially when CRGA is asked to approve a salary increase.</p>	<p>CRGA recommends that Conference approve, with effect from 1 January 2016:</p>	
<p>i. an increase of 4% at the mid-point for all SPC salary scales (international and local), in all locations (Federated States of Micronesia, Fiji, New Caledonia and Solomon Islands);</p>	<p>Adjustment to salary bands and notification to staff Implemented in SPC's HR Online from 1 January, 2016</p>	
<p>ii. a 2% salary increase for all SPC employees in all locations.</p>	<p>Done</p>	

AGENDA ITEM 10 – DIRECTOR-GENERAL’S PERFORMANCE ASSESSMENT (in camera)

This agenda item was discussed in camera. CRGA’s recommendation was conveyed in a letter from the Chair of CRGA to the Chair of Conference.

AGENDA ITEM 11 – FORTY-SIXTH CRGA: VENUE, CHAIRPERSON AND VICE-CHAIRPERSON

The CRGA Rules of Procedure state that CRGA should meet once a year at SPC headquarters in Noumea, except in the years when the Conference is convened, when CRGA meets immediately before the Conference at a venue chosen by the members of the Pacific Community.

CRGA recommends that Conference note that:

- i. the venue for the meeting of CRGA 46 in 2016 will be Noumea, New Caledonia, and that members will be advised of the meeting dates in due course;
- ii. the Chairperson for CRGA 46 will be provided by New Caledonia and the Vice-Chairperson by New Zealand.

AGENDA ITEM 12 – STATEMENTS FROM OBSERVERS

CRGA noted with interest and appreciation the statement made by the Republic of Singapore and those tabled by GIZ, the Pacific Islands Forum Secretariat, Pacific Islands Development Forum, and Secretariat of the Pacific Regional Environment Programme.

AGENDA ITEM 13 – OTHER BUSINESS

CRGA received an update on the draft Strategy for Resilient Development in the Pacific (SRDP) prepared jointly by representatives from SPC, PIFS and SPREP.

CRGA recommends that Conference:

- i. note the information provided in the joint update on the draft SRDP;
- ii. note the actions undertaken to consult with member countries and finalise the draft SRDP, which has been updated to address the concerns of member countries ;
- iii. direct the secretariat to continue its support for PICTs with regard to the SRDP submission to the 2016 Pacific Islands Forum Leaders Meeting, Pohnpei, Federated States of Micronesia.

Regular updates were provided to members and these will continue as matters progress

**STATEMENT FROM THE STAFF REPRESENTATIVE COMMITTEES OF SPC:
STAFF RESPONSE TO MANAGEMENT'S BUDGET-RELATED DECISIONS**

1. Management of the secretariat made decisions in March 2016 to cancel the 2015 staff performance-related salary advancements due to eligible staff under the SPC Performance Development System that adversely affected both locally recruited and international staff, and to fix the exchange rate at which the salaries of international staff are converted into the local currency (salaries of Noumea-based staff are now converted into local currencies at the floor of the otherwise floating ceiling/floor mechanism; the exchange rate has been capped at the mid-point for international Suva staff).
2. A key concern of many staff in these decisions was the lack of involvement that staff felt they had in the decision-making process over matters that directly affect them. Management acknowledges that, in prioritising urgent strategic decisions, it omitted to consider a coordinated staff consultation process.
3. Staff recognise that difficult management decisions that impact staff are sometimes necessary. However, staff believe there is an opportunity for staff and management to establish and maintain a constructive framework for consultation on issues that may adversely affect staff. The SRC Constitution stipulates that the executive of the secretariat will submit to the SRC for consideration any plans that affect staff; management overlooked this important staff consultation responsibility in making these decisions. This required, in the view of staff, a responsibility to consult with staff early and openly in the process, to clearly explain the nature of the decisions and the effects the changes were likely to have on staff, to outline the range of other options that were considered, and transparency around the process, including the provision of legal advice (both internal and external) provided to management of the secretariat.
4. Management has undertaken to staff that it will consult properly and in a timely fashion in advance of plans, processes and decisions that affect them. Management is engaging with staff on some current proposals that will affect staff.
5. The decision to manipulate the SDR exchange rate for international staff salaries involved management making an interpretation of the meaning of clauses in staff contracts that had a negative impact on staff. This was a concern for many staff, who considered the SDR mechanism clause in their contracts to be a guaranteed safeguard against significant exchange rate movements, and therefore considered that the decision breached their contracts.
6. Staff have been clear with management that the process around making these decisions highlighted for staff the absence, in the operating environment of SPC, of the kinds of regulatory and institutional protections and oversights found in most domestic jurisdictions framing the corporate governance environment, having a 'disciplining' effect on corporate decision-making. In this context staff consider that management has a heightened responsibility to follow proper consultative processes in its decision-making.
7. Management of the secretariat has undertaken to work with staff and the SRCs on expectations around appropriate ongoing consultation processes. The SRCs have indicated their expectation that this will lead to the establishment of clear process guidelines for consulting staff on decisions that affect them.

8. Staff of SPC have contributed to alleviating SPC's budget deficit in 2016 to the extent of around USD 1.4 million in foregone remuneration (approximately USD 2,250 per staff member, on average). Staff consider that the relatively higher financial impact of the PDS decision on staff on lower salary bands and newer staff is inequitable and unfair, and that management should have calibrated this mechanism better. The different treatment of the different offices in the SDR exchange rate reduction also caused disquiet amongst sections of staff.
 9. The staff of SPC are a highly skilled and specialised workforce that is committed to the organisation's operational mandate to support development for the benefit of all SPC members. Staff are extremely concerned about the financial situation, and staff have expressed concerns that the management response in March appeared to be reactive rather than strategic. Staff understand that management of the secretariat has a responsibility to ensure the ongoing financial health of the organisation, and staff have proactively engaged in a range of processes with management to look for options for addressing financial sustainability.
 10. Management and the SRCs have identified this experience as an opportunity to develop internal collegiate engagement across locations, and believe that it would be constructive for CRGA to hear directly from staff of SPC at every CRGA, in a paper prepared jointly by the SRCs highlighting matters of relevance for discussion. The SRCs have agreed with management that management will propose the inclusion of a Staff Representative Committees Report (drafted jointly by Noumea and Suva, in consultation with staff across all SPC locations) as a standing agenda item at future CRGA meetings.
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