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**FIFTY-FOURTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**
(5–6 November 2024, Papeete, French Polynesia)

Working Paper

**WORKING PAPER NO. 7.d Member and Permanent Observer contribution matters: update
of the workgroup on host country contribution (HCC) and assessed contribution (AC) as
well as EU's contribution as a Permanent Observer**

(Paper presented by the Secretariat)

Paper summary

1. This paper presents:
 - i. The status of member contributions as of 1 October 2024.
 - ii. Recommendations made by the working group to the CRGA on Assessed Contribution (AC) and Host Country Contribution (HCC).

Key points

2. As of 1 October, the outstanding member contributions stood at EUR 3.87 million comprising EUR 3.61 million in Assessed Contribution and EUR 0.25 million in Host Country Contribution outstanding. 54% of this outstanding balance corresponds to this year's contribution when the remaining 46% correspond to unpaid amounts from previous years.
3. The CRGA working group reached a consensus on a recommendation to be made to CRGA for a new mechanism ensuring a **fair, transparent** and **equitable** process within partners to assess the appropriate levels of AC/HCC and the repartition between members.
4. The recommendations issued by the working group are based on the following main principles:
 - The total amount of AC and HCC will be added on CRGA agenda through the budget section if the Secretariat considers that this should be revised by members.
 - The amounts of AC and HCC would be revised every 4 years and validated by SPC conference. New amounts would be based on the 3 previous year's average of the different criteria.
 - Revision of current AC and HCC amounts would be validated at the next Conference in 2025, and we may agree on a progressive application of the new amounts for the first cycle of 4 years.

Assessed Contribution:

- The split between Metropolitan members and Island members should remain comparable with current situation, i.e. 80% / 20%.
- The repartition of AC between Metropolitan members should be discussed and agreed upon by them.
- The repartition between Island members will be based on a combination of three criteria with different weighting: GDP (25%), GDP per Capita (25%) and SPC programme/project expenditures in country (50%).

Host Country Contribution:

- The HCC should reflect the importance of the economic benefits received by the Host Country through the presence of SPC premises on its territory and therefore should be expressed in a % of those economic benefits represented by SPC core expenditures in the country, excluding 50% of the salaries of internationally recruited staff who may not have their most important economic interest in the country.
- The CRGA may decide to establish the level of HCC at 0.75% of the above-mentioned expenditures with a minimum amount of EUR 15 K per year.

Recommendations

5. CRGA is requested to:

- i. recognise that timely payment of Assessed Contribution and Host Country Contribution is important for the proper functioning of SPC and its governance model as well as its capacity to continue to provide services and programmes to members;
- ii. urge members to pay their outstanding contribution to SPC;
- iii. acknowledge the work performed by the CRGA working group as per CRGA 52 guidance and discuss and provide additional guidelines or approve recommendations as put forward by the Working Group.

Status of members' contribution

6. The Secretariat draws members' attention to the fact that, as of this writing, 14 member countries and territories remain in arrears in paying their Assessed Contribution for 2024 and prior years.
7. As of 1st of October 2024, EUR 3.61 million of AC were currently outstanding (refer to table 1 for an overview of members' payment status).
8. Regarding Host Country Contributions, the outstanding amount represents EUR 0.25 million from New Caledonia and Federal States of Micronesia.
9. As indicated in previous CRGA meetings, delays in the payment of AC and HCC have a direct impact on SPC's cash flow and liquidity reserves, and consequently, the organisation's financial sustainability, which impacts the ability to provide services to the level expected by members.
10. The Secretariat requests CRGA to urge members to make timely payment of their AC or, for those members in arrears, to enter into a repayment plan with the Secretariat. The Secretariat will issue arrears letters to the members, with potential sanctions as per paragraph 1 of the Policy on AC and HCC.

Table 1: Status of Members' contributions

	2024 outstanding amount	prior years outstanding amounts	Total
Assessed Contribution			
American Samoa	52,800	166,291	219,091
CNMI	52,800	853,000	905,800
Federated States of Micronesia	52,800	13,174	65,974
Guam	57,800	37,725	95,525
Kiribati	58,100	-	58,100
Marshall Islands	43,126	-	43,126
Nauru	39,278	-	39,278
New Caledonia	301,600	-	301,600
Niue	35,200	35,200	70,400
Palau	3,452	-	3,452
Papua New Guinea	301,600	603,200	904,800
Solomon Islands	72,600	-	72,600
United States of America (own FY)	831,600	-	831,600
Wallis & Futuna	-	2,700	2,700
TOTAL AC	1,902,756	1,711,290	3,614,046
Host Country Contribution			
Federated States of Micronesia	15,000	30,000	45,000
New Caledonia	183,400	23,060	206,460
TOTAL HCG	198,400	53,060	251,460
GRAND TOTAL	2,101,156	1,764,350	3,865,506

Review of Assessed Contributions and Host Country Contributions

11. In 2022, CRGA 52 requested the secretariat to continue and finalise the detailed review of Host Country Contributions (HCCs) and Assessed Contributions (ACs) initiated in 2018 and suspended due to the pandemic.
12. A new working group was established and has started a consultative process. This group made of 7 members (Australia, FSM, Fiji, French Polynesia, New Caledonia, New Zealand and USA) met on 19th of July 2023, 3rd October 2023 and on the 19th of September 2024 with the objective of agreeing on new rules and mechanisms ensuring more **transparency, fairness** and **equity** within SPC members.
13. The scope of work of this review was:
 - a. Reviewing the current model of members' contribution, through different perspectives:
 - i. Appropriate level of total Members' contributions.
 - ii. Repartition by member, considering split between metropolitan and island members, host countries and others.
 - iii. Method of calculation and frequency of Members' contributions update.
 - b. Ensuring broad consultation with CRGA members for feedback on a potential revised assessed contribution structure and any potential changes in the amounts of contributions.
 - c. Providing, through the secretariat, detailed recommendations to CRGA
14. **This work did not focus on the amounts themselves but rather on common rules and principles to be applied to all members ensuring full transparency, equity and fairness.**
15. The working group reached a consensus on all items of its scope of work and has issued the following recommendations for the consideration of the wider CRGA group.
16. Appropriate level of members' contribution: The level of member's contribution is a key component to ensure the ownership of SPC by its members. While this level was critical for SPC in a recent past, it is less the case today and this work does not aim to increase the level of total contribution for SPC.

A proposal of establishing a range (% of SPC total resources) with a trigger for a strategic discussion at CRGA level was discussed but the working group recommended to consider the current level as satisfactory and add this topic to the CRGA agenda on an ad hoc basis.

Therefore, **the recommendation to CRGA is to keep the Secretariat responsible for adding the level of the total members' contributions to the CRGA agenda when the Executive Director thinks that a strategic discussion is required.**

Furthermore, **the CRGA working group recommends revising the amounts of AC and HCC by each member every four (4) years at the conference level, taking into account averaged data from the previous three (3) years.**
17. AC – Split between Metropolitan and Island members: The working group considered that the current split between Metropolitan and Island members is satisfactory.

Therefore, **the recommendation to CRGA is to agree on a split of 80% of AC to be paid by Metropolitan Members and 20% by Island members.**

18. Repartition of AC between Metropolitan Members: Several repartition criteria such as GDP, UN contributions or equal repartition were discussed but the Metropolitan members of the working group unanimously expressed their willingness to pursue negotiations about the repartition between themselves.

Therefore, the recommendation to CRGA is to leave the repartition of AC between Metropolitan members as the responsibility of concerned members, with the Secretariat supporting the discussions on an ad hoc basis.

19. Repartition of AC between Island members: This repartition was one of the main discussion points noting that there is a need to ensure that the future repartition is more transparent, fair and equitable for all SPC members.

The current repartition was initially based on the capacity of each member to pay based on their national budget expenditures but has not been updated for several years and does not reflect anymore a fair repartition as per working members' feedback.

According to the working group members, the AC repartition should be more equitable reflecting:

- Level of members' resources through **total GDP**
- Level of wealth through **GDP per capita**
- Level of services received from SPC as a member through **SPC programme expenditures in the country**.

Therefore, the recommendation to CRGA is to agree on AC repartition based on a combined approach with a significant importance given to the level of SPC's contribution to each member. The AC repartition between Island members should be based on GDP (25%), GDP per capita (25%) and the level of SPC contribution (50%).

The working group would like to insist on the mechanism to establish the amount of contribution rather than on the amount itself.

The different criteria should be averaged over the three previous years at the time of the revision. Sources of information being SPC Statistics for Development Division (SDD) and SPC financial system.

Table 2

This table shows an example of calculation of Assessed Contribution based on the recommended methodology.

	Current AC			SPC prog - average 2021/2023		GDP per capita		GDP		Combined criteria			
	Group	Euros	%	Group	Euros	Group	USD	Group	m USD	Group	Euros	%	
Am. Samoa	4	52,800	3%	1	27,015	4	12,449	3	712	2	49,500	3%	-6%
Cook Isl	2	43,600	2%	3	891,935	4	18,806	2	291	3	66,000	4%	51%
FSM	4	52,800	3%	6	1,753,243	2	3,830	2	407	4	99,000	6%	88%
Fiji	10	128,700	7%	6	3,832,978	3	5,524	6	4,997	5	132,000	7%	3%
French P	9	108,800	6%	4	1,445,300	5	21,696	6	6,114	5	132,000	7%	21%
Guam	5	57,800	3%	1	20,906	6	34,340	6	6,232	4	99,000	6%	71%
Kiribati	6	58,100	3%	5	1,546,278	1	1,884	1	235	3	66,000	4%	14%
Marshall Isl	2	43,600	2%	5	1,730,643	2	4,797	2	261	4	99,000	6%	127%
Nauru	3	46,200	3%	2	458,760	3	10,020	1	120	2	49,500	3%	7%
New Caledonia	11	301,600	17%	5	1,546,451	6	36,753	6	10,119	6	165,000	9%	-45%
Niue	1	35,200	2%	2	263,168	4	19,464	1	29	2	49,500	3%	41%
CNMI	4	52,800	3%	1	7,908	5	20,959	5	1,198	3	66,000	4%	25%
Palau	2	43,600	2%	3	803,207	4	13,230	1	238	3	66,000	4%	51%
PNG	11	301,600	17%	3	734,484	1	2,848	6	27,059	3	66,000	4%	-78%
Pitcairn Isl	1	35,200	2%	1	4,429	1	2,429	1	0	1	33,000	2%	-6%
Samoa	8	72,600	4%	3	655,364	2	4,265	4	862	3	66,000	4%	-9%
Solomon Isl	8	72,600	4%	4	1,072,980	1	2,001	6	1,523	4	99,000	6%	36%
Tokelau	3	46,200	3%	2	157,330	3	7,445	1	11	2	49,500	3%	7%
Tonga	7	63,400	4%	4	1,124,652	2	4,952	2	490	3	66,000	4%	4%
Tuvalu	3	46,200	3%	4	1,111,537	3	5,575	1	61	3	66,000	4%	43%
Vanuatu	8	72,600	4%	6	1,898,262	2	3,098	4	975	5	132,000	7%	82%
Wallis and F	1	35,200	2%	3	875,216	4	11,674	1	131	3	66,000	4%	88%
Total		1,771,200									1,782,000		

Members are sorted into 6 categories on each criterion (with equal repartition for categories 2 to 5. A multiplier of the minimum contribution is applied to each category as follow:

	% of Minimum contrib
Category 1	100%
Category 2	150%
Category 3	200%
Category 4	300%
Category 5	400%
Category 6	500%

In this example, the minimum contribution is set at EUR 33,000. This minimum amount will be the adjustment variable when the total amount of contribution needs to be revised.

Because the change of methodology may have an important impact on level of contribution for some of SPC members, it is proposed to gradually apply the new amounts over the first cycle of 4 years ensuring stability in the total amount of AC.

20. Observer's Assessed Contribution: The CRGA working group recommends that the minimum amount of assessed contribution will be applied to all members with an observer status.
21. Host country contribution: There was a broad consensus within the working group on the fact that the HCC should be proportionate to the economic benefits received by host countries thanks to the presence of a SPC office. This contribution should not have any cap amount, but it should also consider in-kind benefits offered by the host country to SPC.

Salaries paid to employees is a key component of the received economic benefits, but it must be acknowledged that internationally recruited staff may not have their main economic interests in the host country, therefore their salary should be not considered equally with those of locally recruited staff.

In-kind benefits are recognised through savings SPC gains from these benefits and therefore diminish the amount of expenditures taken into account for the calculation of AC and HCC.

The CRGA working group recommends setting the HCC at 0.75% of the core expenditures spent by SPC in the host country, considering only 50% of the PAI staff costs (internationally recruited staff) with a minimum amount of EUR 15,000.

As per AC, the data to be considered will be the 3-year average prior to the revision year.

Table 3

The following table illustrates the results of this methodology on HCC.

Core expenditures excl. CRGA spent in the country + staff costs

Euros	FSM	FIJI	NC	TONGA	VANUATU	Total
Vendor in country (paid through core)	296,085	3,126,912	3,424,240	111,097	192,080	7,150,414
Staff cost (aff funding)	694,993	12,177,566	13,357,022	275,040	247,542	26,752,162
Local positions	310,664	2,122,005	3,823,138	71,838	70,689	6,398,334
international positions - 50%	384,329	10,055,561	9,533,884	203,202	176,853	20,353,828
Total HC Benefits	991,078	15,304,478	16,781,262	386,137	439,622	33,902,576
Variable contribution based on % (0.75%) - min 15 Keur	15,000	114,784	125,859	15,000	15,000	285,643
Current contribution	15,000	33,500	183,400		58,700	290,600

22. The Secretariat wishes to thank the working group members for all their work and contribution to the different topics discussed.

Recommendations

23. CRGA is requested to:

- i. recognise that timely payment of Assessed Contribution and Host Country Contribution is important for the proper functioning of SPC and its governance model as well as its capacity to continue to provide services and programmes to members;
- ii. urge members to pay their outstanding contribution to SPC; and
- iii. acknowledge the work performed by the CRGA working group as per CRGA 52 guidance and discuss and provide additional guidelines or approve recommendations as put forward by the Working Group.