

**SECRETARIAT OF THE PACIFIC COMMUNITY****FORTY-FIRST MEETING OF THE  
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**  
(Noumea, New Caledonia, 1 – 4 November 2011)*Financial Matters*

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**AGENDA ITEM 10.5 – 2012 BUDGET**

(Presented by the Secretariat)

**SUMMARY**

1. This paper presents the SPC budget (the ‘green book’) for financial year (FY) 2012 for consideration and endorsement by CRGA.
  2. The budget integrates pre-RIF SPC, SOPAC and SPBEA and follows SPC’s new organisational structure. The presentation of the budget has been changed in response to suggestions from the membership, managers and other staff. It now includes a multi-year budget outlook. FY 2013 is forecast and annexes show an income projection for the years 2011–2015.
  3. The budget presented is balanced with income matching expenditure. The total of 97,596,600 CFP units comprises a recurrent budget of 25,128,400 CFP units (core funding of 14,718,700 CFP units and programme funding of 10,409,700 CFP units) and project funding of 72,468,200 CFP units.
  4. The recurrent budget makes up 26% of the total budget and project funding makes up the remaining 74%.
  5. The overall level of reserves at the end of FY 2012 is expected to remain similar to that achieved in FY 2011.
  6. ‘Balancing the books’ for financial years 2011 and 2012 has been a challenging exercise in the light of significant reductions in recurrent funding (core and programme). SPC divisions are implementing strategies to reduce expenditure to adjust to the new funding levels while at the same time trying to minimise the impact on service delivery to island members of the Pacific Community.
  7. Management wishes to acknowledge the contribution of all SPC staff to these efforts, which have included non-implementation of recommended increases in salaries of internationally recruited staff and continuing restraint of salaries for locally recruited staff.
  8. CRGA is invited to:
    - i. consider for approval the proposed budget for financial year 2012;
    - ii. note the progress update on the levels of the general and specific reserves.
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## AGENDA ITEM 10.5 – 2012 BUDGET

### PURPOSE

1. This paper presents the SPC budget for financial year 2012 for consideration and endorsement by CRGA.

### INTRODUCTION

2. The 2012 budget is contained in the ‘green book’. Relevant meeting papers include:
  - papers 4.1–4.7 (divisional reports)
  - paper 8.1 (Directorate of Operations and Management)
  - paper 9.2 (Implementation of 2009 triennial review)
  - paper 9.3 (2011 market salary data review)
  - paper 10.4 (financial year 2011 budget revision)
3. The budget reflects the merger of pre-RIF SPC, SOPAC and SPBEA and the new SPC organisational structure.

### TERMS USED IN THE PAPER

4. Funding in the 2012 green book is classified under the headings of *Recurrent funding* and *Project funding*. Core and programme funding are regarded as *recurrent funding*. *Project funding* is for specific activities with finite timeframes.
5. The *core budget* refers to income received from the following sources: members’ assessed contributions, voluntary contributions, bank interest, miscellaneous income including canteen rental, and project management fees. It also includes student and scholarship fees charged by SPBEA. Core income is used to finance basic operating costs such as utilities and building maintenance, most administration, programme management and support functions, and management positions.
6. *Programme funding* is provided by Australia, France and New Zealand as part of their annual block grants to help achieve the objectives and outcomes set by CRGA and Conference for SPC’s programmes. Programme funding also provides SPC programmes with additional institutional capacity, including key staff positions, to help implement specific projects. This type of funding is relatively flexible in terms of its application, as long as it is used to achieve agreed programme objectives. Planning and reporting of activities and results are done as part of standard CRGA reporting.
7. *Project funding* refers to contributions by development partners, including both SPC members and non-members (e.g. the European Union and Global Fund), that are earmarked for specific time-limited activities.

### STRUCTURE OF THE BUDGET

8. The presentation of the 2012 budget has been further improved in comparison to the 2011 budget. It now:
  - covers an additional year (FY 2013);
  - includes more detailed presentations of outputs expected to be achieved with recurrent and project funding;

- reflects the new SPC structure;
  - includes an income forecast to FY 2015;
  - provides more information on income by type.
9. The changes made to the format of last year's budget were well received by members and have been retained as follows:
- Income is divided into recurrent income (core and programme funding) and project income.
  - Expenditure retains the basic standard categories used in the 2011 budget structure (e.g. personnel costs, general operating costs, duty travel, etc.), but is divided into recurrent expenditure and project expenditure.
  - Results (outputs) are divided into those expected to be achieved with recurrent funding and those expected to be achieved with project funding.
10. The new green book presents the SPC divisions and programmes and identifies the 'outputs' that next year's funding is expected to finance. Higher-level results are described in more detail in the divisional reports, in particular in the sections on their 2012 work programmes.
11. In paragraphs 39–40, CRGA paper 8.1 provides a review of progress in implementing the new budget format.

#### **BUDGET ASSUMPTIONS**

12. Assessed contributions are at the 2011 revised budget level. Other core generated income (such as bank interest, project management fees, etc.) is forecast taking into account 2011 results, current market rates and SPC's project pipeline. The assumptions for the 2012 budget are also used for FY 2013.
13. Foreign currency amounts are converted at reasonably conservative rates. Most have remained unchanged from those used for the revised 2011 budget:
- AUD/CFP rate – at 85 CFP (revised budget at 87 CFP)
  - NZD/CFP rate – unchanged at 64 CFP
  - USD/CFP rate – unchanged at 82 CFP
  - FJD/CFP rate – unchanged at 50 CFP
  - SDR/CFP rate – at 135 CFP (revised budget at 134 CFP)
  - FJD/SDR rate – unchanged at 0.35SDR
  - SDR/USD – unchanged at 1.50 USD
14. All positions have been fully costed, with no allowance made for any vacancies that may occur next year.
15. Programme funding is based on the assumption that Australia, France and New Zealand will provide the same amounts as reflected in the 2011 revised budget.
16. Salary costs are budgeted on the assumption that CRGA will follow the Secretariat's recommendation to maintain this year's salary scale for internationally recruited staff for next year and will agree with the minor increase for a limited number of salary bands for locally recruited positions in Fiji. Full implementation of the recommended increases for internationally recruited staff would require 1.8 million CFP units. If SPC were to follow the example of the Pacific Islands Forum Secretariat (PIFS) and implement half of the increase, it would require 900,000 CFP units.
17. The FY 2012 savings due to the lower COLDA (cost of living differential allowance) payable in

New Caledonia are approximately 160,000 CFP units. Approximately 100,000 CFP units is anticipated to be saved due to the phasing out of child allowances for internationally recruited staff in New Caledonia.

## **2012 BUDGET HIGHLIGHTS**

18. The Secretariat proposes a balanced budget of 97,596,600 CFP units, comprising a recurrent budget of 25,128,400 CFP units (core funding of 14,718,700 CFP units and programme funding of 10,409,700 CFP units) and project funding of 72,468,200 CFP units. The recurrent budget makes up 26% of the total budget and project funding makes up the remaining 74%.
19. Members contribute 48% of the total budget (metropolitan members 46%, island members 2%). Non-members contribute 46%, and the remaining 6% comes from other income sources or transfers from reserves (the green book annexes provide more details).
20. The green book presents the summary of breakdown of income by type (core, programme funding, project funding). Annex A of this CRGA paper contains comments relating to major changes in expenditure (amounting to 10% or more, or 50,000 CFP units or more, whichever is higher) between the revised 2011 and the 2012 budget.
21. The Public Health Division continues to be the largest of the six technical divisions, comprising 25.7% of the total budget. This is mainly due to the almost 16 million CFP units of grant funding the division expects to channel to PICT members on behalf of donors such as Australia, the Global Fund and New Zealand. Because grants make up such a large percentage, the Secretariat is considering presenting them separately from operational funding in future budgets.
22. Allocations for the other divisions range from 7.4% for the Education Training and Human Development division to 12.6% for Fisheries, Aquaculture and Marine Ecosystems division. Year-on-year changes typically relate to changes in project funding.
23. Chapter I 'Director-General and Deputy Directors-General' includes the Strategic Engagement, Policy and Planning facility, Statistics for Development programme, North Pacific regional office and Solomon Islands country office. Collectively these units make up 14.7% of the total budget.
24. Following the transfer of corporate services type functions from the SOPAC division, the new Operations and Management directorate will make up about 8.3% of the total budget.
25. FY 2012 personnel cost is estimated at 34,806,000 CFP units, making up approximately 36% of the total budget. Relatively low for a technical assistance agency, this percentage is largely explained by the significant amount of country grant funding that is channelled through SPC to member countries.
26. Comparisons made in this document refer to differences between the FY 2012 budget and the FY 2011 revised budget.

## **Core budget**

27. Overall FY 2012 core income is expected to increase by 2.1% (301,960 CFP units) to 14,718,700 CFP units.
28. Assessed contributions and voluntary contributions are unchanged. They remain the total of member contributions to the pre-RIF SPC, SOPAC and SPBEA with minor adjustments for French Polynesia and New Caledonia whose SOPAC contributions are adjusted to the level of full membership contributions. This change is already reflected in the 2011 revised budget.

29. Income from project management fees is expected to increase by 51,900 CFP units. Bank interest is forecast to increase by 75,300 CFP units, mainly as a result of improved cash flow.
30. Student fees (SPBEA) are currently budgeted to increase marginally by 46,700 CFP units. This assumption may need to be revised downwards in the context of next year's budget revision if Tonga and Samoa 'nationalise' Form 6 and 7 exams as early as next year. The amount in question is approximately 157,000 CFP units.
31. Miscellaneous income is budgeted to decrease slightly by 45,100 CFP units as the Secretariat is adopting a more conservative approach to estimating this type of income.
32. Concerning transfers, the Secretariat intends to bring in a slightly higher amount (plus 40,000 CFP units approximately) from the exchange reserve than is the case in the 2011 revised budget. However, the 2012 budget also provides for a transfer to the general reserve of approximately 50,000 units in line with SPC's objective of building the reserve over time.
33. Post-RIF, SOPAC corporate services functions are transferred from the Office of the Director of SOPAC to the relevant functional areas within the Operations and Management directorate under Chapter VIII. SOPAC common charges are similarly moved to corporate common charges in Chapter IX.

#### **Programme funding**

34. The programme funding budget is balanced with income/transfers and expenditure budgeted at 10,409,700 CFP units. This compares with 10,755,300 CFP units in the revised 2011 budget, a decrease of 345,600 CFP units (-3.2%).
35. As discussed under the section on budget assumptions, SPC expects programme funding contributions by Australia, France and New Zealand to remain at the current levels, which includes the significantly reduced contribution by New Zealand.
36. As Australian and New Zealand programme funding is provided as part of annual block grants set in the donor member currencies, which are also used to meet assessed contributions by these members, the level of programme funding is particularly susceptible to currency fluctuations. For example, the 2012 budget assumes an AUD that is two CFP weaker than the rate used in the revised budget. This minor change leads to a reduction in anticipated income of 200,000 CFP units. France also provides annual block grants but because the CFP is pegged to the Euro, currency fluctuations are not an issue.
37. Annex A provides comments on major changes in programme funding between the 2012 budget and the revised 2011 budget.

#### **Project funding**

38. Compared to the revised 2011 budget of 71,858,600 CFP units, the 2012 SPC project budget is currently forecast to be marginally higher at 72,468,200 CFP units, an increase of 609,600 CFP units. SPC's policy is to include in its budget only projects for which formal approval has been given at the time of budget preparation. The Secretariat's forecast of project funding therefore tends to be conservative, and some increase in project income can be expected as pipeline projects progress through appraisal processes.
39. Project funding for institutional development has been relatively rare as development partners prefer to fund direct service delivery to countries. The Secretariat is therefore particularly grateful to Australia for its support for the Operations and Management directorate. Australian grants support

change management, and monitoring and evaluation initiatives (currently 500,000 AUD per annum). In addition, Australia has provided a large grant of AUD 2 million to address corporate priorities such as enhancement of ICT and HR (human resources) systems and policy reviews. This funding is reflected over two years in the 2011 revised budget and 2012 budget under project funding (773,000 CFP units in 2011 revised; 943,000 CFP units in 2012).

40. Project budget variances are discussed in Annex A. The green book includes a five-year project income forecast in an annex. It also provides further information on project funding by development partner. In 2012, members contribute 27.7 million CFP units (38%) with non-members providing 44.7 million CFP units (62%) of project funding. The EU is anticipated to be the single largest project donor with 27.4 million CFP units (38%), followed by Australia at 23.8 million CFP units (33%) and the Global Fund at 11.8 million CFP units (16%).

### **2013 BUDGET HIGHLIGHTS**

41. For the first time, the green book includes an additional financial year (2013) for planning and information purposes. Budget assumptions are the same as for the revised 2012 budget.
42. The 2013 budget is a balanced budget of 72,128,200 CFP units compared to 97,596,600 CFP units for 2012. This significant decrease is explained by projects coming to an end. However, it is expected to be compensated for by new projects coming on stream.
43. No major changes are expected in the 2013 core budget compared to 2012. The budget currently provides for a transfer from the general reserve to balance the budget. However, when budget assumptions are reviewed next year, including the project pipeline, additional income such as project management fees should make this transfer unnecessary or significantly reduce the amount required.
44. Similarly, the 2013 budget currently provides for a transfer from the general reserve to (SOPAC) programme funding. SPC is developing a budget strategy to help avoid or reduce the need for such a transfer in FY 2013 and subsequent budgets.
45. By 2013, the long-term sustainable financing strategy should be in place. Assumptions used for the current forecast of 2013 income and expenditure may therefore change significantly.

### **Specific budget issues**

#### ***(Non-)Implementation of CROP remuneration increases***

46. As discussed in CRGA paper 9.3, the 2011 market salaries survey proposed significant base salary increases for internationally recruited staff. The Secretariat, after due consideration of its own finances and those of member countries, is not recommending any increase for 2012 and has not made any budgetary provision.
47. The adjustment of between 1.8% and 2% for salary bands 4 to 7 for Fiji-based positions advertised locally has been budgeted for. The total cost is small at 10,000 CFP units.

#### ***Fiji income tax issue***

48. From the discussions of the Fiji-SPC host country agreement, the Secretariat understands that the Fiji government is pursuing its intention to apply income tax to the salaries of its citizens working at SPC in Fiji from a date yet to be decided. A decision to impose tax is a sovereign right of the host government (New Caledonia does not impose income tax on French citizens working for SPC). The Secretariat has been advised that the tax would be prospective.

49. At previous meetings CRGA members expressed their wish to be informed and consulted on the host country agreement and in particular on the possible budgetary implications for SPC of the tax issue.
50. The implications for the Secretariat and for Fiji nationals working for SPC in Fiji would be different for staff recruited internationally and staff recruited under local conditions.
51. Salaries of Fiji staff recruited internationally are costed at the equivalent of gross salaries. As such, the application of income tax will result in a direct deduction from staff pay, giving less take home pay. There would be no direct impact on the Secretariat's budget.
52. The salaries of staff recruited under local conditions in Fiji are budgeted at the equivalent of net salaries paid in the local market. If tax is imposed, their salaries would have to be adjusted upwards to ensure continuing compatibility with the local market. The budgetary impact of this adjustment would be approximately FJD 540,000 (270, 000 CFP units covering 194 staff).
53. The Secretariat proposes that, if Fiji does impose tax, the formula applied for SOPAC up to 2010 be applied to the whole of SPC. Under this arrangement, essentially all income tax revenue is returned to the organisation in the form of a special grant, thus significantly reducing the impact on the organisation's budget.
54. In line with the direction provided by CRGA, the Secretariat will continue to inform the membership about progress on the discussions with Fiji and will, depending on implementation arrangements (see previous paragraph), propose to CRGA appropriate budget arrangements from financial year 2013.

***Progress update on increasing the level of reserves***

55. At CRGA 40 last year, the Secretariat proposed building the organisation's reserves to improve its capacity to deal with temporary funding shortfalls and unforeseeable funding requirements. Target levels were recommended to be achieved by financial year 2015.
56. Table 1 shows the audited status of SPC's reserves at the end of financial year 2010. It also includes projections for each reserve until the end of 2013, in line with the provisions in the budget.

*Table 1 SPC Reserves*

	31.12.10 ( audited)	2011 movements	31.12.11 estimate	2012 movements	31.12.12 estimate	2013 movements	31.12.13 estimate	Target level (CRGA 40)	Additional Required
<b>General Reserve</b>	2,816,122	182,400	2,998,522	49,100	3,047,622	(740,288)	2,307,334	3,000,000	692,666
<b>Specific reserves</b>									
Emergency Evacuation	30,000		30,000		30,000		30,000	30,000	
Plant & Equipment	298,936		298,936		298,936		298,936	800,000	501,064
Minor works	47,692		47,692		47,692		47,692	300,000	252,308
Foreign Exchange	551,261	(167,011)	384,250	(164,571)	219,679	(25,683)	193,996	1,000,000	806,004
Conference Reserve								200,000	200,000
<b>Total Specific Reserves</b>	<b>927,889</b>	<b>(167,011)</b>	<b>760,878</b>	<b>(164,571)</b>	<b>596,307</b>	<b>(25,683)</b>	<b>570,624</b>	<b>2,330,000</b>	<b>1,759,376</b>
<b>Grant Total</b>	<b>3,744,011</b>	<b>15,389</b>	<b>3,759,400</b>	<b>(115,471)</b>	<b>3,643,929</b>	<b>(765,971)</b>	<b>2,877,958</b>	<b>5,330,000</b>	<b>2,452,042</b>

Notes:

Desired level of reserves to be achieved by end of 2015 as approved CRGA 41 in 2010

Plant & equipment reserves includes specific reserves for marine equipment ( SOPAC) and capital reserve ( SPBEA)

Excludes special funds for housing and canteen ( SPC)

Exchange rate used 2010 accounts at 1 FJD= 0.4705 CFP unit , and projections at 1FJD = 0.50 CFP unit  
rounding applies

57. By the end of 2012, the Secretariat will have met its general reserve target of 3,000,000 CFP units, having incorporated the pre-RIF reserves of all three organisations.
58. Current projections for 2013 provide for transfers from the general reserve of 740,288 CFP units (core 259,588 CFP units; programme funding 480,700 CFP units). As discussed in this paper (see section on 2013 budget highlights), the Secretariat is working on strategies to reduce the amount it may need to bring in from this reserve in 2013.
59. The level of specific reserves is estimated at 596,307 CFP units at the end of FY 2012 and 570,624 CFP units at the end of 2013. Drawdown of this reserve during FY 2011 and 2012 of around 165,000 CFP units each has been necessary mainly to help those divisions that could not make the required cuts within such a short timeframe adjust to the lower level of New Zealand programme funding. While current projections show another but smaller transfer from the foreign exchange reserve in FY 2013, the Secretariat's objective is to convert this into a transfer to this reserve.

#### **CONCLUSION AND RECOMMENDATION**

60. 'Balancing the books' for financial years 2011 and 2012 has been a challenging exercise in the light of significant reductions in recurrent funding (core and programme). SPC divisions are implementing strategies to reduce expenditure to adjust to the new funding levels while at the same time trying to minimise the impact on service delivery to island members of the Pacific Community.
61. Management wishes to acknowledge the contribution of all SPC staff to these efforts, which have included non-implementation of recommended increases in salaries of internationally recruited staff and continuing restraint of salaries for locally recruited staff.
62. CRGA is invited to:
  - i. consider for approval the proposed budget for financial year 2012;
  - ii. note the progress update on the levels of the general and specific reserves.

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24 October 2011



**Annex A**

**COMMENTARY ON MAJOR VARIANCES BETWEEN THE 2012 AND REVISED 2011  
BUDGETS BY BUDGET CHAPTER AND BUDGET CATEGORY**

This commentary provides information on major changes (amounting to at least 10% and 50,000 CFP units) between the 2012 budget and the revised 2011 budget. The core budget is discussed first followed by the programme funds budget and projects funds budget.

**A.1 Core budget**

<b>Core budget Chapter</b>	<b>Variance (CFP Units)</b>	<b>Commentary</b>
<b>I. Director-General's office and Deputy Directors-General</b>		
Strategic Engagement, Policy and Planning Facility (SEPPF)	-58,000	Reduction from the shift of the HDP adviser (Gender) from SEPPF to Human Development Programme in 2012.
Statistics for Development	-120,900	Reduction in core-funded services in economic statistics.
<b>II. Applied Geoscience &amp; Technology (SOPAC)</b>		
Director's office	-1,054,750	Transfer of SOPAC corporate services functions and common charges to chapter XIII (operations and management) and IX (common charges)
<b>III. Economic Development</b>		
Energy	-58,700	Senior energy position is funded for 6 months out of core funding in 2011 revised budget and fully funded by project funding in 2012 with the incumbent to work on specific projects tasks.
<b>IV. Education, Training and Human Development</b>		
Human Development	51,900	Increase mainly due to shift of the HDP adviser (Gender) from SEPPF to Human Development Programme in 2012.
<b>V. Fisheries, Aquaculture &amp; Marine Ecosystems</b>		
Director's office	-57,800	Secretary position no longer funded by core.

<b>VI. Land Resources</b>		
Sustainable Agriculture & Forestry Management and Development	-103,400	Core funding for two internationally recruited and one locally recruited positions discontinued.
<b>VII Public Health</b>		No significant variances.
<b>VIII Operations &amp; Management</b>		Increases in all four sections are largely due to the transfer of corporate support services type functions previously budgeted under SOPAC to the Operations and Management directorate.
Finance	316,950	SOPAC transfer.
Information Communication Technology	193,700	SOPAC transfer. Also increased allocation for increased software maintenance costs in the ICT budget.
Library	128,550	SOPAC transfer and full costing of Librarian position, which was vacant for part of 2011.
Publications	128,450	SOPAC transfer.
<b>IX. Common Charges</b>	286,900	Increase in 2012 is mainly from shifting common services charges from SOPAC Director's office (334,300 CFP units) and increased allocation for repairs and maintenance and minor capital improvements to buildings and utilities and general overhead costs. Major reduction of 100,000 units in CRGA/Conference costs in 2012 as there is no conference in 2012.

## A.2 Programme Funding

<b>Programme funding Chapter</b>	<b>Variance (CFP Units)</b>	<b>Commentary</b>
<b>I. Director-General's office and Deputy Directors-General</b>		No significant variances
<b>II. Applied Geoscience &amp; Technology (SOPAC)</b>		
Director's office	-391,500	Reduction mainly due to shift in 2012 of library and publications positions in SOPAC director's budget to ICT and Publications budgets
<b>III. Economic Development</b>		No significant variances

<b>IV. Education, Training &amp; Human Development</b>		No significant variances
<b>V. Fisheries, Aquaculture &amp; Marine Ecosystems</b>		Variance less than 10%. Programme funding reduction for FAME division (125,700 CFP units).
<b>VI. Land Resources</b>		
Biosecurity and Trade	-56,000	Decrease due to freezing of the BAT coordinator position (partly offset by upgrading of BAT officer); also sharing of support staff with PHAMA project.
Sustainable Agriculture & Forestry Management Development	221,400	Core funded positions (2 coordinators and a technician) transferred to non-core funding.
<b>VII Public Health</b>		Variance less than 10%. Required reduction could not be fully met by the division, with 117,900 CFP units supplementary funding provided.
<b>VIII Operations &amp; Management</b>		
Information Communication Technology	132,150	Increase from transfer of SOPAC ICT staff

### A.3 Project budget

<b>Projects Chapter</b>	<b>Variance (CFP Units)</b>	<b>Commentary</b>
<b>I. Director-General's office and Deputy Directors-General</b>		
Strategic Engagement , Policy and Planning Facility (SEPPF)	7,093,700	Increase is mainly from new EU funded global climate change project over 4 years with initial implementation from 2011, and full implementation in 2012.
Statistics for Development	680,100	Final year of project for the development of Pacific survey programme (World Bank). First full year of activities to strengthen Pacific statistics (AusAID) and pilot Vanuatu hybrid project (OECD).
<b>II. Applied Geoscience &amp; Technology (SOPAC)</b>		
Director's office	779,600	New funding from USAID Project for GIS remote sensing components.
Disaster Reduction	-4,842,100	Reduction in funding allocation from EU/EDF9 B and C envelope projects.

<b>Projects Chapter</b>	<b>Variance (CFP Units)</b>	<b>Commentary</b>
Ocean & Islands	-785,400	Reduction in funding allocation for Kiribati EU/NIP B Envelope EDF9 Trust Funds.
<b>III. Economic Development</b>		
Energy	2,038,000	Increase for accelerated implementation in 2012 for EU funded North Rep project
Pacific ICT Outreach	-537,700	EU project ends in first quarter 2012 - no other new projects in the pipeline.
Transport	-867,200	AusAID funded project currently scheduled to end in 2012.
<b>IV. Education, Training, &amp; Human Development</b>		
SPBEA	561,800	Increase from the AusAID funded Pacific benchmarking for education results project
Human Development	113,200	Increase with short-term project on assessment of vulnerability of community living on Ha'apai, Tonga.
<b>V. Fisheries, Aquaculture &amp; Marine Ecosystems</b>		
Director's office	-360,400	Australian project will end in 2011; CRISP (AFD) project expected to be completed in first quarter of 2012.
<b>VI. Land Resources</b>		
Director's office	-139,300	Completion of EU funded ACP project
Biosecurity and Trade	2,617,900	Increase from the full implementation of AusAID funded PHAMA project and EU funded IACT project
Food Security	-477,500	Completion of AusAID funded climate change project
Sustainable Agriculture & Forestry Management Development	-311,600	Decrease due to completion of PRIPP project in mid 2011. However, new ACIAR funded integrated crop management research project expected to commence in 2012.
<b>VII Public Health</b>		
Disease Surveillance	621,900	Increase is from the new TB activities Round 8 phase 1 TB Grant (Global Fund), which will be effective 2012. Also additional funding from Response Fund in 2012.
Health Advancement	-1,021,100	Reduced funding in 2012 as the NZ component of the Pacific NCD Programme projects ends in 2011. The AusAID funded component is expected to carry over into 2012, with less funding than in 2011 as the project is ending.

<b>Projects Chapter</b>	<b>Variance (CFP Units)</b>	<b>Commentary</b>
<b>VIII Operations &amp; Management</b>		
Finance	288,000	Increase from AusAID funding to address corporate priorities. For finance, includes resourcing for budget development and review of financial regulations and policies.
Human Resources	-261,300	Reduction as bulk of HRIS implementation work is expected to be completed in 2011. 2012 allocation will complete review of HR related policies and short-term HR funding.
Information Communication Technology	-570,000	Smaller allocation from AusAID funding with most work expected to be done in 2011.
Publications	-50,000	SOPAC compendium project funded by AusAID, currently budgeted to end in 2011.