

Agenda item 6.4 : Report of the SPREP Working Group on the 2021 Staff Remuneration Review and the Core Funding Review and Sustainable Financing and Resourcing Strategy

Purpose:

1. To provide an assessment and review of the Consultant's Report and the draft Finance & Resource Sustainability Strategy for the Secretariat.
2. To provide an update on the 2021 Staff Remuneration Review.
3. Seek the Executive Board direction and endorsement of the recommendations from the Working Group.

Background:

4. A key outcome of the Third Independent Corporate Review of SPREP and the Mid-Term Review of the SPREP Strategic Plan 2017-2026 was the development of a Finance and Resource Sustainability Strategy to address sustainable financing for the long-term financial resilience of the Secretariat.
5. The 3rd SPREP Executive Board in 2022 under Item 6.3 on Sustainable Financing:
 - a. **Noted** the update report (*update from the Secretariat*).
 - b. **Agreed** to await further update and guidance from the Working Group established in the 30th SPREP meeting to discuss the recommendations of the Independent Corporate Review/Mid-Term Review and Remuneration review reports particularly those which relate to Financial Sustainability of SPREP; and
 - c. **Committed** to consider and support the review of the core funding percentage of membership contributions and donor funds through an independent consultancy to be undertaken to determine an appropriate Finance and Resource Sustainability Strategy for SPREP to be tabled and endorsed by Members in the 31st SPREP Meeting in 2023.
6. At the 31st SPREP Meeting, under Item 6.3 on Sustainable Financing, the Members:
 - a) **Noted** the updated report on the Independent Review of the Core Funding Structure of SPREP and development of SPREP's Finance & Resource Sustainability Strategy;
 - b) **Committed** to engaging in the consultations to be undertaken by the Consultants with SPREP Members, Donor, and Partners during the SPREP Meeting including follow up consultations as part of this consultancy work; and
 - c) **Endorsed** the existing SPREP Member Working Group assessing the recommendations of the 3rd Independent Corporate Review and Mid-Term Review of the SPREP Strategic Plan 2017-2026 to be the mechanism for assessing and reviewing the consultant's report and draft Finance & Resource Sustainability Strategy for SPREP.

Independent Review

7. The review of the Core Funding Structure of SPREP and the development of SPREP's Finance & Resource Sustainability Strategy was carried out by Global Environment Consulting PTY Ltd, led by Mr. David Sheppard. Comprehensive consultations were carried out by the consultants with the SPREP Members, Secretariat Senior Leadership Team and staff, and relevant donors and partners.
8. The Working Group received the final draft of the report on 12 April 2024 followed by a virtual briefing by the Consultancy Team on 24 April 2024. With feedback and comments from the Working Group, the final report together with a policy brief were updated and shared with the Working Group on 2 May 2024.
9. The Working Group express sincere thanks to the Consultancy, the Secretariat and Members that participated in the review. The Group's overall assessment is that the Final Report provides a thorough and considered analysis that should have a positive and ongoing impact on financial sustainability for SPREP if implemented successfully. The Working Group supports the approach taken by the Consultancy of a holistic exploration of the full range of possible approaches to financial sustainability, rather than trying to seek a single high impact solution.

Review Recommendations

10. The Working Group reviewed the following key deliverables by the Independent Consultants:
 - a. **Final Report** on the SPREP Finance and Resource Sustainability Strategy (WP6.4/Att.1)
 - b. **Policy Brief** with a focus on Section 6 of the Final Report regarding key recommendations and implementation considerations. (WP6.4/Att.2)
11. The Final Report identified twenty-four (24) recommendations which were assessed according to their impact and priority. These priorities were developed further into a Policy Brief Document.
12. The Policy Brief Document outlines eight (8) High Priority recommendations for the attention of the Executive Board to consider for approval for immediate implementation by SPREP under the guidance of the existing Members Working Group. These eight recommendations are outlined in the proposed Finance and Resource Sustainability Strategy set out in section 6 of the Final Report.
13. The Working Group notes that the Policy Brief provides a way forward in some areas, noting that some of the recommendations relating to project management charges, cost recovery and budget contingencies were matters that are already being implemented at different stages by the Secretariat.

14. After consideration of the priority recommendations, the Working Group provides the following positions:

PRIORITY RECOMMENDATIONS	WORKING GROUP POSITION
<p>Priority Recommendation 1: Follow up the 20% Membership Contributions increase agreed in 2017</p>	<p>The Working Group supports SPREP continuing its efforts to seek contributions at the increased rate from all members, noting that further members have implemented the increase since the Final Report was completed.</p> <p>The Working Group notes the following advice from the Secretariat:</p> <p>The following Member countries have committed to implementing the 20% increase or other relevant membership contribution increase arrangements as at 30 June 2024:</p> <ul style="list-style-type: none"> • American Samoa • Australia • Cook Islands • France • French Polynesia • New Caledonia • New Zealand • Papua New Guinea • Samoa • Solomon Islands • Tuvalu • Tokelau • United States • Vanuatu • Wallis & Futuna Islands <p>The United Kingdom has also committed and budgeted for paying the 20% increase in fees with payment expected prior to the executive board meeting.</p> <p>The Working Group notes that if all members had implemented the increase in full in the last 7 years, a total of USD500,000 or USD71,429 p.a. could have been available to assist with the Secretariat's core funding base.</p>
<p>Priority Recommendation 2: Complete a comprehensive review of membership fees and introduce a new Membership Framework</p>	<p>The Working Group encourages this review being undertaken as a priority, noting that SPREP membership fees provide a more stable and reliable form of core income than other sources, and are much lower than other CROP agencies (SPC's are 10 times, and PIFS are double SPREP's fees). The Working Group encourages open and clear communication from SPREP, and a long-term approach on any fee increases so that Members can budget appropriately, as recommended by the Report.</p>
<p>Priority Recommendation 3: Update SPREP's policy on Programme Management Charges to be a fixed 15% for both members and non-members.</p>	<p>The Working Group supports SPREP completing first a separate independent analysis of the current cost of doing business and thus subsequently updating its policy to fix Programme Management Charges at 15% for members and non-members, and distributing the updated policy to Members and donors, noting that flexibility or transition periods are likely to be required for donor implementation of the policy.</p>
<p>Priority Recommendation 4: Develop and implement a comprehensive cost recovery policy.</p>	<p>The Working Group supports development and implementation of this policy and notes the following advice from the Secretariat:</p> <p>Cost recovery is already being implemented through different project agreements, noting that there is room to update the policy accordingly.</p>

PRIORITY RECOMMENDATIONS	WORKING GROUP POSITION
<p>Priority Recommendation 5: Develop and implement a strategy for securing additional flexible donor funding, including new framework agreements with metro members</p>	<p>The Working Group notes the following advice from the Secretariat:</p> <p>The Secretariat is currently implementing the Partnership Engagement and Resource Mobilisation Strategy (PERMS) which was approved by the Executive Board at its 3rd Meeting in 2022.</p> <p>Additional flexible donor funding has since been received with support from the United Kingdom.</p>
<p>Priority Recommendation 6: Build contingency into budget forecasting to allow for unforeseen shortfalls.</p>	<p>The Working Group notes recent progress by SPREP to increase reserves in the Budget and the following advice from the Secretariat:</p> <p>The 2024/25 biennial budget approved by the Members at the 31 SPREP Meeting noted a funding gap of US2.5m that the Secretariat will explore funding sources to address it as opportunities arise.</p> <p>Since the 31st Members Meeting the United Kingdom has provided flexible core funding to address the identified shortfall.</p>
<p>Priority Recommendation 7: Recruitment of a fundraising position at SPREP</p>	<p>The Working Group welcomes the following recruitment updates from the Secretariat and looks forward to these appointments strengthening the fundraising function of the Secretariat:</p> <p>Recruitment completed and employment contracts signed:</p> <ul style="list-style-type: none"> • Director, Strategic Planning, Partnerships and Resource Mobilisation, confirmed to start on 11 September 2024 • Strategic Partnerships and Donor Relations Adviser, confirmed to staff on 19 August 2024
<p>Priority Recommendation 8: Improvement of SPREP's Financial and HR management systems</p>	<p>The Working Group welcomes the update from the Secretariat that Phase 1 of the Integrated Enterprise Management System project is underway with dedicated funding from New Zealand. This Phase 1 prioritises the Financial and Human Resources systems.</p>

15. The Policy Brief also recommended additional areas of work that could be pursued with additional funding:

- a) providing an analysis of the cost of doing business for SPREP as a Pacific regional agency
- b) assessing cost recovery requirements and approaches.

16. The Working Group supports the progression of these analyses as funding allows.

17. The Working Group agree in general for the proposed Finance and Resource Sustainability Strategy to be adopted and for its recommendations to be implemented as funding allows, and be informed by the Final Report and Policy Brief noting the following:

- a) That the Working Group continue to work closely with the Secretariat to provide guidance and oversight of the implementation of the report recommendations, in particular the eight priorities identified, and specifically where there are funding implications; and to report on progress on implementation of these recommendations at subsequent SPREP Meetings.
- b) That the Final Report does not highlight the barriers identified which focuses on the importance of robust corporate policies in terms of safeguarding and various other risk policies which could potentially be barriers for new and interested donors and partners.
- c) Recommendation 11 of the Final Report recommends that "SPREP should consult and cooperate with other CROP agencies to ensure sharing of information and work

towards a consistent CROP wide approach to shared challenges such as Programme Management Charges, cost recoveries and broader fundraising challenges.” The report also notes “there could also be opportunities to look across CROPs at issues such as harmonisation of services and whether there are cost efficiencies in merging back-office functions across CROPs.”

18. The Working Group recommends that this is supported as an additional priority recommendation and notes that the Review of the Regional Architecture (RRA) is considering closer CROP harmonisation and the relevant activity in relation to this is set out in the RRA paper submitted for consideration of the Executive Board.

Recommendation:

A. SPREP Finance and Resource Sustainability Strategy.

19. The Executive Board Meeting is invited to:

- 1) **Acknowledge** the completion of the independent consultant Review of the Core Funding Structure of SPREP and development of SPREP’s Finance & Resource Sustainability Strategy;
- 2) **Endorse** the:
 - i. Final Report on the SPREP Finance and Resource Sustainability Strategy with twenty-four (24) Recommendations and
 - ii. Policy Brief Highlighting Eight (8) Key/Priority Recommendations and Implementation Considerations.
 - iii. Inclusion of Recommendation 11 of the Final Report as an additional priority recommendation to address.
- 3) **Note** the Working Group position and recommendations outlined in the table in Para 13 above;
- 4) **Adopt** the Finance and Resource Sustainability Strategy set out in section 6 of the Final Report;
- 5) **Endorse** that the Working Group continue to work closely with the Secretariat to provide guidance and oversight of the implementation of the rest of the report recommendations, in particular where there are funding implications; and
- 6) **Invite** the Secretariat to report on progress on implementation of these recommendations at subsequent SPREP Meetings.

B. SPREP 2021 Remuneration Review

20. The Executive Board Meeting is invited to:

- 1) **Note** a consultancy has been engaged to carry out an independent review of remuneration and employment conditions, and a report is expected to be prepared by mid-October 2024
- 2) **Indicate** the Meeting’s preference for a mechanism to decide on recommendations, through either:
 - i. an out of session decision, with papers circulated to Members for a decision by email; or
 - ii. calling a Special Meeting of the Members.