

**SECRETARIAT OF THE PACIFIC COMMUNITY****FORTY-FOURTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**
(Noumea, New Caledonia, 4–7 November 2014)

AGENDA ITEM 2: DIRECTOR-GENERAL'S REPORT

(Paper presented by the Secretariat)

Summary

1. This is my first report as Director-General. It provides an overview of current and future challenges for SPC, including the change agenda designed to re-position SPC as the principal scientific and technical agency supporting development in the Pacific region. We are entering a challenging phase as the region goes through a period of adjustment in the political environment and development landscape. As a result, several interrelated activities are being planned or implemented as part of our overall change agenda and strategy to enhance the development effectiveness of our work in and with Pacific Island countries and territories (PICTs).
2. The 2012 Independent External Review (IER) found that SPC is fundamentally sound and generally well-regarded by its members and development partners. Nevertheless, past success does not guarantee future success due to the changing development landscape, limited resources and rising expectations. It is essential for SPC to continue to evolve and respond to external challenges, and to demonstrate to all stakeholders the effectiveness of the work we do and the value this adds for the money received.
3. Most of the IER recommendations have been implemented. The new SPC Senior Leadership Team (SLT) continues to build on the resulting reforms with a particular focus on improving development effectiveness and seeking to achieve 'more for less'. While SPC's change agenda is ambitious, it is being implemented in an evolutionary and orderly manner. No major structural changes are planned, although the area of Climate Change and Disaster Risk Management (CCDRM) needs to be strengthened. These changes are outlined below and explained further in the relevant CRGA papers.
4. The most important challenges for SPC are to anticipate the future needs of the region and to secure the long-term partnerships (including a sustainable financing regime) required to enable us to respond effectively and consistently to the needs of our island members. A long-term partnership has been secured with the Government of Australia, which includes a multi-year funding agreement. Similar agreements are being discussed with the Governments of New Caledonia and New Zealand. In addition, we are seeking new partnerships beyond our traditional funders, such as with the United Arab Emirates.
5. A Memorandum of Agreement is being finalised with the European Union, which sets out the terms of a strategic partnership between the two organisations. The EU is currently the largest funder of SPC activities.
6. In this first year of my tenure, I have concentrated on getting the change agenda started and on building a strong and cohesive SLT. In addition, I have embarked on reaching out to our metropolitan partners, subregional, regional and international stakeholders, and some island members. These visits are important in securing continuing support for SPC. My visits also build a platform for our resource

mobilisation strategy and, as well, a number of agreements are being secured with a range of organisations.

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.
8. We will also review the way we work with our members and ensure that the Joint Country Strategy (JCS) mechanism, or its replacement, is effective in truly reflecting the intentions of SPC and each member country. In view of increasing demands and a limited resource base, we need to agree with members on priorities for the organisation over the next 5-10 years. This process will be conducted as part of the governance review implementation and incorporated in the new SPC Corporate Strategic Plan for 2016–2020.
9. In addition to the implementation of the integrated programming approach, SPC will continue to provide essential scientific and technical services in relevant sectors. Over time, our services will consist of a mix of sectoral technical outputs and integrated multi-sectoral outputs that assist members to achieve their development goals. Initially, SPC is implementing the integrated programming approach with *Climate Change and Disaster Risk Management* and *Non-communicable Diseases (NCDs)/Food Security* as the first two priorities and intends to adopt this same approach in regard to the 11th European Development Fund (EDF 11).
10. In addition to improving the way we work, SPC has adopted a ‘results reporting’ framework, which will increasingly focus on reporting the impact of our work, including work undertaken with partners, rather than reporting on activities themselves. The first of these reports is being presented to CRGA 44. We have also invested in capability to better communicate our purpose and achievements through the recruitment of a senior strategic communications staff member, who will be responsible for our communications strategy and the development of programme communication staff in SPC.
11. There is little doubt of the value of SPC to the region but our organisation must continue to evolve to ensure that it remains relevant and effective. We have commenced an ambitious change agenda to ensure that SPC is well placed with the right skills and resources to continue to be the principal development agency in the region and it is essential that we maintain continuous improvement to ensure that we achieve excellence in all that we do. While our focus is on the needs of the Pacific region, we must also assist PICTs to better communicate their needs at the global level and seek to reflect global trends in our activities. In short, SPC must strive to remain at the forefront of sustainable development in the region.

Recommendations

12. CRGA is invited to:
 - i. acknowledge the major challenges facing SPC in the medium term;
 - ii. note the priorities for the technical divisions in the medium term;
 - iii. note the likely impact of the implementation of the programming approach;
 - iv. recognise the outlook for SPC’s financial situation from 2016 onwards;

- v. endorse the agenda for change designed to position SPC for the future, enhance the effectiveness of our work with and for our members, and secure sustainable financing for the organisation;
 - vi. secure payment of host country grants and outstanding arrears as a matter of urgency.
-

DIRECTOR-GENERAL'S REPORT

Purpose

13. This paper is my first report to CRGA as Director-General. It provides an overview of the main strategic challenges for SPC over the medium and longer term and the change agenda designed to address these challenges. Further details are available in the relevant CRGA papers on specific issues.

Background

14. SPC has consistently provided high-quality scientific and technical assistance to our members for 67 years to assist them to achieve their development goals. As the largest implementing agency in the Pacific region, SPC is generally well-regarded by all stakeholders and we have well-developed and effective working relationships with members and development partners. But despite an excellent track record of service delivery over several decades, SPC must continue to evolve and change to be able to anticipate and respond to the region's development challenges. The development space in the Pacific is crowded and resources in some areas are increasingly difficult to secure. Furthermore, development partners, the general public and the media are demanding greater accountability from all development agencies and expectations that recipients of public funds demonstrate 'value for money' for their investment.
15. Building on past achievements, we are responding to the new development landscape by embarking on a programme of change across a number of areas in order to position SPC strategically for the future, improve the way we work internally and with external partners, and communicate our organisation's achievements more effectively. These changes are outlined further below and in the relevant CRGA papers.

Current issues

SPC agenda for change

16. SPC has completed the implementation of the Independent External Review (IER) recommendations and we are now seeking to consolidate the organisation's position as the principal development agency in the region. The agenda for change, which also builds on the implementation of the decisions of the 8th Conference and CRGA 43 (Annex A: Implementation matrix), is the roadmap for what SPC intends to achieve in the medium term to improve the development effectiveness of our work with members. This agenda will be further expanded in developing the new SPC Corporate Strategic Plan (2016–2020) to be completed in 2015.
17. The objectives of the change agenda are to:
 - re-position SPC strategically for the future
 - enhance the development effectiveness of our work
 - introduce the programming approach
 - improve the efficiency of the way we work with our members
 - secure sustainable financing
 - increase investment in staff recruitment, retention and development
 - introduce results reporting
 - raise SPC's visibility and better communicate achievements

SPC's strategic position, role and purpose

18. Recognising that a track record of achievement is no guarantee of future success, we have introduced a programme of change to position the organisation appropriately for the future. The 'Future SPC

Working Group' has been established to coordinate, communicate and champion the necessary changes across the whole organisation. A number of interrelated activities are being progressed through issue-specific Working Groups (outlined in Paper 6.1). The critical success factor is our ability to move from a predominantly sector-based approach to an integrated 'programming' approach, with relevant areas working together in an SPC-wide multi-sectoral response to the big development issues. Climate Change/Disaster Risk Reduction and NCDs/Food Security have been identified as the first two priorities for the programming approach. They not only constitute the most pressing issues for the region, but the responses needed are truly multi-sectoral in nature. SPC will also adopt this integrated approach to address the development challenges identified under the future EDF 11.

19. SPC will continue to provide essential sector-based activities consistent with our mandate, e.g. fisheries stock assessment, communicable disease surveillance and response, statistical services, and other priority areas. We anticipate that in 2–3 years, SPC will have a portfolio of sector-based activities within a broader programmes approach. This approach will enable SPC to adopt a more strategic approach to development challenges based on longer-term partnerships with partners and supported by a more predictable financing regime. The new approach will be closely aligned to SPC's enhanced Monitoring, Evaluation and Learning (MEL) strategy to ensure oversight of progress and results. This evolutionary process will change the way SPC goes about its work over the next 2-3 years.
20. In adopting this approach, we are seeking to consolidate SPC's position as an effective, responsive development agency with a regional focus and a global outlook. We will strive for excellence across all our areas of work and seek to work with our members to communicate regional needs (e.g. climate change, NCDs, empowerment of women and support for young people) more effectively at the global level. SPC has a wealth of development experience that could be shared with an international audience. Equally, development challenges in the region often have their genesis at the global level, e.g. climate change. As part of this global outlook, we are awaiting the outcome of SPC's application to become a Permanent Observer to the United Nations. We thank the Government of Fiji for facilitating this process and all SPC members who supported the application.
21. We are not looking to expand SPC's already large portfolio of activities but to consolidate and enhance the development effectiveness of our work and secure better value for money. In the medium term, we may well be obliged to reduce the scope of this work depending on availability of resources and the priorities expressed by our members. The introduction of the Pacific Framework for Regional Integration will also affect the scope of our work. The new framework provides an opportunity to revisit the way SPC works with CROP agencies and to seek better coordination of policy development and service provision across the region. The current regional architecture could be significantly improved to reduce duplication and enhance development effectiveness.

Governance and membership

22. The Governance Working Group is reporting to CRGA 44 on options for the future. Improving the effectiveness of SPC's governance is a priority as we seek improved working relationships with members and greater transparency and accountability.
23. Similarly, a separate paper is presented for CRGA's consideration on SPC membership and opportunities for enhancing SPC's engagement with partners. We look forward to welcoming Timor-Leste as a full member of the SPC family and strengthening the relationship with the European Union through a Memorandum of Agreement. We are also exploring relationships with other potential partners such as the Abu Dhabi Fund for Development and the Government of Korea.
24. As mentioned above, we anticipate serious resource constraints in the 2016 and 2017 financial years unless income streams improve.¹ Therefore, we request CRGA's guidance and assistance on ways to

¹ See Paper 7.3 for details.

secure greater ownership of SPC's financial situation by its members, including policy guidance on the question of provision of SPC services in situations where there are significant arrears.

Building leadership within SPC

25. Organisations with strong and ethical leadership generally perform well and, conversely, organisations with weak leadership do not. Furthermore, effective leadership is not a natural phenomenon. Good ethical leaders need training, coaching and ongoing support. In view of the predominance of new staff members in our Senior Leadership Team (SLT), we have embarked on a programme of leadership development for SLT with assistance from external facilitators, funded by GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). This work is ongoing and consistent with our staff development plans and the change agenda planned for SPC. We also intend to offer leadership development training for emerging leaders in SPC.

Partnerships for enhancing development effectiveness

26. SPC currently operates in approximately 26 'areas of work' or sectors with over 200 projects. Through the integrated programming approach, we plan to consolidate our work into fewer, mutually supportive projects/programmes rather than multiple small unconnected projects. This will reduce transaction costs on SPC and partners and improve reporting to our stakeholders. In the programming approach, we will focus more on reporting the results and impact of our work rather than on detailed reports of activities undertaken by SPC and partners. Our renewed focus on results has led to a change in the way we report to CRGA 44 (Paper 5.1), which we hope members will find more informative.
27. As part of our overall efforts to improve the efficiency, impact and effectiveness of our work and secure longer-term strategic working relationships with our development partners, we have embarked on a process to secure mutually reinforcing partnerships. To this end, SPC has secured a 10-year partnership arrangement with the Government of Australia supported by a 3-year funding cycle. This agreement has enabled SPC to plan with some certainty, recruit and retain staff with confidence and communicate more clearly with our members about what can be expected. We anticipate a similar agreement with the Government of New Zealand and good progress is being made with the Government of New Caledonia.
28. Long-term partnership agreements with our development partners:
 - enable SPC to focus on gaining better impact for the funds invested and to reduce the focus on transactions and activities;
 - provide greater flexibility in adjusting work priorities as circumstances change in member states;
 - provide for greater engagement with suitable institutions and individuals in the donor nation, rather than a relationship based purely on financing arrangements; and
 - assist in securing a more predictable financing regime for SPC's work and reducing reliance on short-term project funding.

Third International Conference on Small Island Developing States, Apia, Samoa (1-4 Sept. 2014)

29. In implementing the decisions of the 8th Conference, SPC provided technical advisory support to members in the negotiation of the SIDS Conference outcome document – the SAMOA Pathway (Small Island Developing States Accelerated Modalities of Action). Recognising that the natural response to the conference theme was the formation of partnerships, SPC also featured in a number of events relating to specific partnerships and multi-stakeholder partnership dialogues on the conference's six focus areas – sustainable economic development; climate change and disaster risk management; social development (including health and NCDs, gender and youth); sustainable energy; oceans and biodiversity; and water and sanitation, food security and waste management.

30. SPC was recognised as a key implementing partner in some 52 partnerships across the six areas by several Pacific Leaders, including the Chair and host of the SIDS Conference, the President of Palau, and the Prime Ministers of Tuvalu and Vanuatu.
31. SPC will continue to maintain momentum in promoting the issues that concern our members as the post-2015 development agenda and Sustainable Development Goals are discussed at the international level, and will support members in seeking to influence this agenda.

Sustainable financing and budgeting

32. Core funding – consisting of members’ assessed contributions, host country grants and (voluntary) programme grants – makes up approximately 30% of SPC’s total annual budget. It is the only ‘predictable’ component of the SPC budget and much of it is committed to ‘core’ SPC activities with little room for re-allocation to new priorities. Most of SPC’s income is made up of ‘project’ funds, which are time-limited and usually allocated to specific priorities determined by the funder. In general, these funds are not available for re-allocation to other priorities.
33. Furthermore, SPC has not historically budgeted for capital items as a separate activity. These items are funded from the total pool and new capital requirements are funded as resources permit. The net effect of this approach is that there is no general allocation for maintenance, nor is there a planned approach to asset management or replacement. For example, staff housing at Receiving in Noumea has not had any major maintenance for several years. Similarly, essential IT hardware is not being replaced or upgraded by the recommended replacement period, putting SPC at risk of major system failures (recent system ‘crashes’ show the reality of this risk). It is now urgent that certain IT components are replaced as a matter of priority.
34. The total SPC general reserve currently stands at 4.1 million CFP units. This is insufficient to meet the generally accepted level of resources to maintain services for at least three months. Despite the CRGA 43 recommendation to increase allocations to reserves, this has not been possible due to the budget shortfall experienced in this financial year. Nevertheless, it is our intention to rebuild SPC’s reserves as resources become available. A realistic outlook suggests that this is likely to take several years to achieve given SPC’s current financial situation.
35. In the first half of 2014, SPC experienced a major shortfall in the budget largely as a result of the decline in the Australian dollar, despite a ‘balanced’ budget approved by CRGA 43. A series of short-term measures were put in place (such as delaying appointments) to improve our financial situation, but this also meant deferring action on some important CRGA decisions, e.g. the Joint Country Strategy Review.
36. In the past, SPC has used a series of short-term measures to balance previous budgets but this approach is no longer sensible or sustainable. Unless our income stream improves, and our efficiency drive provides savings, a reduction in service outputs is inevitable. A Budget Committee has been established as a standing committee of the SLT to plan and manage our overall finance and budget situation. We will shortly embark on a process for determining priorities for SPC in the event that income streams do not improve. Meanwhile, a new internal budgeting process is being managed by the Budget Committee and will be used to build the 2016 SPC budget. This should provide clarity in terms of aligning resource allocation to organisational priorities and enable us to present members with a budget that is clearly outcomes focused. Furthermore, in view of the likely financial challenges ahead, we are undertaking a number of measures to secure more stable and predictable financing for SPC, such as agreeing on long-term partnerships, including multi-year funding, and full cost recovery.

Budget for 2016/2017

37. Financial projections suggest that SPC will face a serious budget shortfall in 2016, 2017, and beyond if the projected income levels are not realised.² The shortfall will result, in particular, from a reduction in project management fees as a result of some project cycles ending. It is also likely to be compounded if host country grants, assessed contributions, and arrears in contributions are not paid on time. This situation is potentially serious and may result in a reduction in SPC services. We are seeking CRGA support to encourage members to honour their financial commitments as a matter of urgency and good governance.

Staff recruitment, retention and development

38. The success of SPC's work is directly attributable to the skills and experience of our staff. Despite this reality, SPC is currently less competitive relative to CROP and other agencies due in large measure to the slippage in our employment terms and conditions. SPC currently applies the CROP '6-year rule' which results in more than half of internationally recruited staff leaving before their contract ends.
39. Furthermore, SPC does not have a planned programme for professional development, which weakens the engagement of staff. A staff engagement survey based on an international instrument (Gallup Q12), which was completed recently, showed a mean engagement score of 3.81. This score shows low engagement across the organisation and ranks in the bottom third of the Gallup global database. This means that overall, staff engagement with SPC is not as good as it should be and we need to do more to recruit, retain and develop the best talent that we can get for the work in the region. The highest scoring individual survey question related to mission and purpose. This item received a score of mean (M) 4.16, which is in the top percentile of the Gallup database, indicating that staff are committed to SPC and feel that their work is an important contributor to our mission and purpose. The lowest scoring questions overall related to progression and opportunities to learn and grow. Importantly, the Gallup survey results will be used by divisions and teams to guide their development and the surveys will be repeated at regular intervals to measure progress.
40. A number of long-standing staffing issues have been, or are being addressed by SLT, e.g. equalisation of medical insurance terms between Noumea and Suva staff, and parity between terms and conditions for SPC staff and other workers in New Caledonia. A Working Group consisting of members of SLT and the Staff Representative Committee has been established to assist with issues relating to staff recruitment, retention and development. CRGA paper 7.4 presents more details on these HR matters including the shortcomings of the current '6-year rule' and broader issues for staff recruitment, retention and development. Improving our systems for recruiting, retaining and developing staff is critical to the continuing success of our work.

Facilities at headquarters

41. A number of discussions were held with the previous Government of New Caledonia on the re-development of the facilities at SPC's headquarters in Noumea. The aim is to expand the office space at HQ and to refurbish a number of buildings that have had little maintenance over the years (including staff housing at Receiving). Discussions were suspended pending the results of the local elections. The new President of the Government of New Caledonia, Mme Cynthia Ligard, recently visited SPC and agreed to progress these discussions with a view to reaching agreement soon. The total ongoing cost of operating in Noumea versus other sites is a critical factor in the discussions.
42. The current Chair of the SPC Conference and Minister of Foreign Affairs of Fiji, Ratu Inoke Kubuabola, has provided new impetus to the building of the Pacific Village, which has been planned for over two decades. The Pacific Village is designed to bring together all SPC staff from seven existing locations around Suva into one purpose-built facility. Consolidation at one site will improve

² The projected shortfall is 1.126 million CFP units in 2016, and 2.681 million CFP units in 2017.

the efficiency of our Suva operations, assist with team building and save the Fijian Government money on current spending on office rental as part of the host country agreement. Building of the new facility is expected to begin in early 2015.

43. It is important to note that the planned re-development of facilities for SPC in Noumea and Suva are parallel developments and one could proceed without the other.

Future direction

44. The future direction of SPC is laid out in several papers presented to CRGA 44 as part of the change agenda. It will be further expanded on as part of the planned SPC Corporate Strategic Plan to be developed in 2015. The strategic direction is essentially about maintaining SPC's position as a leading resource for effective development in the region, refining our mission and purpose and securing sustainable financing in order to continue providing high-quality technical assistance to our members. Our aim is for excellence in all that we do and to move SPC from a good organisation to a great one.

Priorities for action

i. Building a culture of excellence

45. SPC has a world-class reputation in some of its technical areas of work, e.g. fisheries science, the Centre for Pacific Crops and Trees (CePACT) and the Pacific Public Health Surveillance Network (PPHSN). A number of other programmes are also widely regarded as being innovative and highly effective. Over the next few years, SPC will establish centres/programmes of excellence in order to contribute more effectively to the global knowledge bank in selected areas of development, especially in Small Island Developing States (SIDS).
46. Some of the challenges that Pacific Islands face have their origins (and potential solutions) at the global level, e.g. climate change and NCDs, and it is important for SPC to assist members to communicate regional needs and perspectives clearly at the global level. Our application for UN Permanent Observer status, and measures to better support Pacific Ambassadors in New York and Brussels, support this strategy.

ii. Enhancing development effectiveness in PICTs

47. Increased competition for development resources, and the rising expectations of development partners and country leaders for greater impact from the resources provided, requires SPC to be creative and innovative in using the funding we receive. We must also change the way we work with members and development partners to ensure that the focus is on deepening the impact of our work and making a real difference in the lives of Pacific people.

iii. Implementing the programming approach

48. Building on the achievements of SPC divisions within sectors, the implementation of our new programming approach SPC will strengthen our ability to take a multi-sectoral approach to key development challenges, such as Climate Change/Disaster Risk Reduction and NCDs/Food Security. The programming approach will strengthen our work on cross-cutting issues such as gender, youth and culture. It will also standardise the way SPC designs and implements all programmes across divisions and improve the way these programmes are monitored and evaluated. The programming approach will assist SPC to set and maintain high standards across the work of all our teams and will also be adopted in developing SPC's proposals under the future EDF 11.

iv. Secure sustainable financing

49. A key priority for SPC in the medium term is to secure a sustainable and predictable financing regime and reduce reliance on project funding. There is an immediate need to address our short-term budget issues with a shortfall likely from 2016 onwards. A number of strategies are currently being explored to secure sustainable financing for SPC's work, including provision for planned replacement of key assets, programmed maintenance of property, and building the reserves. This issue goes beyond internal management measures and requires a stocktake by members of the organisation's finances and their own commitments to SPC, particularly in regard to honouring payment of assessed contributions and arrears.

v. Talent management

50. Relative to other CROP agencies and international organisations, SPC is falling behind in the battle to attract talent. Our employment conditions and staff support measures are no longer as competitive and more than half of SPC's professional level staff leave the organisation before their contracts come to an end. The recent staff engagement survey (Gallup Q12) suggests that ... 'While some long-standing staffing issues have been resolved, it is now urgent that SPC addresses recruitment, retention and development with a view to attracting and keeping the best scientific and technical skills available internationally. If SPC cannot simply increase salary levels to match those of comparable organisations, greater flexibility around recruitment and contract renewal, providing greater security of tenure with the organisation, is a measure that can be taken to allow SPC to increase its chances of recruiting and retaining quality staff.' Other measures include supporting a positive working environment, e.g. SLT members support the activities promoted by the SPC Social Club.

vi. Results reporting

51. SPC is changing the way we report on the achievements resulting from our work with and for members and development partners. The first Programme Results Report (2013–2014) is being presented to CRGA 44 and as the title suggests, it focuses on results and impact rather than activities. The report is supplemented by country reports, which provide much greater detail about activities undertaken in each PICT. We expect that the results reporting approach will improve over time based on feedback from members.

vii. Communicating SPC achievements

52. SPC has been providing high-quality scientific and technical advice and support for island members for close on 70 years. While regular reports have been provided to development partners, funders and members, there is no planned and strategic approach to communicating SPC's achievements, with the result that the organisation has remained somewhat invisible in the region. It is important that SPC becomes more visible and that we communicate the achievements of our work more effectively to all stakeholders. Better visibility will also support resource mobilisation and brand management. As a matter of priority, a Director of Strategic Communications has recently been recruited to lead SPC's corporate-wide strategic communication capability.

viii. Priorities for our technical divisions

Applied Geoscience and Technology Division (AGTD)

53. The Geosciences Division continues to address the challenges associated with the merger with SPC and good progress is being made. Addressing these concerns while delivering on key priorities will be the focus of the division in the short term. New activities will be developed in emerging areas such as harnessing geothermal power and ocean thermal energy; raising atoll islands and other measures to prepare for sea-level rise; linking and redeveloping capacity in government geological and natural resource departments to allow countries to attract investment and generate wealth for sustainable

development; and developing bespoke hazard maps and models for specific countries and all hazards in the region.

Economic Development Division (EDD)

54. In April 2014, at the Pacific Regional Energy and Transport Ministers' Meeting, ministers agreed on the following priorities for energy and transport over the next three years.

Energy:

- Further consolidate the Pacific Regional Data Repository;
- Enhance private sector participation in energy;
- Strengthen efforts to maximise energy efficiency and conservation; and
- Expand renewable energy investment.

Transport:

- Seafarer training, certification and watchkeeping;
- Implement safety management systems and review and update maritime legislation to improve Pacific Islands domestic ship safety;
- Develop hydrographic services for members;
- Enhance private sector participation in transport; and
- Investigate alternative sources of energy to support the shipping industry.

Fisheries, Aquaculture and Marine Ecosystems Division (FAME)

55. A number of PICTs are well placed to increase their economic benefits from oceanic fisheries through direct participation in the catching sector by locally owned and operated fishing vessels, the development of onshore processing facilities for value adding, and the provision of services to fishing fleets (crewing, stevedore services, bunkering, repair and maintenance). There is considerable scope for increased employment in the tuna fisheries sector with the development of additional onshore processing facilities. It is essential to maintain healthy fish stocks as the demand for seafood will increase with projected population growth of 50% in PICTs by 2030, mostly in Melanesia. The FAME Division will facilitate the review of the Pacific Coastal Fisheries Guidelines and strengthen work to support PICTs in implementing coastal fisheries management plans.

Land Resources Division (LRD)

56. LRD is supporting agricultural livelihoods in the Pacific with research and technical, scientific and policy advice. More specifically, to support food and nutritional security in Pacific communities and their resilience to climate change and disaster threats, the genetic resources team develops planting material for crop varieties resistant to various diseases and climatic conditions. And the EU-funded 'Increasing Agricultural Commodity Trade' project is working to increase Pacific trade for economic growth. LRD aims to develop a wider regional plant, forest and animal genetic resources centre. A draft proposal for this work is being developed and will be circulated to donors. The division is also developing a multi-year plan and key result areas with the aim of securing long-term funding through 2017.

Public Health Division (PHD)

57. PHD is rebuilding its internal capacity and capability and seeking additional resources to strengthen its regional surveillance and outbreak response through the Pacific Public Health Surveillance Network (PPHSN) and training in data management and epidemiology in response to Pacific Health Ministers' Honiara Declaration. The division is supporting the implementation of ministerial strategies for the prevention and control of NCDs, and is also leading work on the development of regional strategies for improving coordination between multiple actors working in health, including the Regional

Framework for Health Development, the NCD Roadmap and Pacific NCD Partnership, and the MANA (Monitoring Alliance on NCD Action) plan.

Statistics for Development Division (SDD)

58. Two key strategic priorities that SDD plans to pursue in Phase 2 (2015–2017) of the Ten Year Pacific Statistics Strategy 2011–2020 are to:
- intensify efforts to get better traction for Pacific Islands development data and information at national and international level; and
 - substantially expand SDD coverage of trade statistics.
59. Given the expense and effort required to collect and produce statistics, it is imperative that they be used regularly as a matter of good governance and business practice to support policy development and planning, monitoring of development progress, and measurement of development results. With the growing demand for trade statistics across the region, SDD will make a substantial contribution by increasing its current efforts in this field. The division will redesign and significantly expand its trade database and boost its statistical, database management and analytical capacity.

Education, Training and Human Development Division (ETHD)

60. The Education, Training and Human Development Division (ETHD) will make further adjustments in the short term to complete the amalgamation of the Secretariat of the Pacific Board for Educational Assessment (SPBEA) with SPC and respond to the report of the SPBEA Working Group. Details can be found in Paper 6.2.
61. ETHD will also focus on the following priorities:
- Regional consultations for judges, magistrates and lawyers, and subregional training for lay magistrates;
 - Support in drafting legislation that addresses violence against women;
 - Training for human rights officers under the Pacific Islands Forum Secretariat (PFS) EU-funded project to increase ratification and reporting on human rights conventions;
 - Development of a statistical indicators guide for human rights reporting.
 - National assessments of literacy and numeracy;
 - Development of a regional curriculum framework;
 - Improved reporting of student achievement in national assessments, and improved assessment methods at national/school level by introducing an outcomes-based reporting approach;
 - Technical and advisory support and training for strengthening gender mainstreaming at the national level;
 - Coordination, monitoring, and technical and advisory support for the implementation of regional gender equality commitments;
 - Technical and advisory support and training for preparations for the 12th Festival of Pacific Arts to be held in Guam in 2016;
 - Technical and advisory support and capacity building for cultural industries through the new EU-funded ACP culture initiative: Enhancing the Pacific cultural industries ; and
 - Building the capacity and widening the network of national youth councils in the region.

Northern Pacific Regional Office (NPRO)

62. The Northern Pacific Regional Office plays a pivotal role for SPC in supporting members in the Northern Pacific subregion. This was confirmed by the Independent External Review in 2012 and by feedback during a joint visit with the former Director-General, Deputy Director-General OMD and myself early in 2014. The office is involved in a number of projects across several sectors and some

are receiving excellent external feedback, e.g. the North Pacific ACP Renewable Energy and Energy Efficiency project (North-REP). However, the challenge of securing sufficient resources to locate staff with appropriate skills in the NPRO is proving difficult. Discussions are continuing with staff of the Department of Interior about sourcing Compact Funds for implementing work in priority areas requested by members in statistics and fisheries.

Solomon Islands Country Office

63. The Solomon Islands Country Office provides an important link between SPC and the Solomon Islands Government (SIG), given the size and needs of the local population. During a visit to Honiara, I agreed with the Honourable Prime Minister to strengthen the relationship between SPC and SIG to reflect current and future priorities and this is now being re-developed. SPC staff are also involved in a number of innovative projects in Honiara, including the first clinic for victims of domestic violence along with broader preventive programmes. Youth at Work (Y@W) is an innovative low-cost initiative run by young people to assist them to find and create work. Y@W has been recognised by a local business excellence award and the concept is being considered by other SPC members. Office staff have also been central in the re-development of the Memorandum of Agreement with the Secretariat of the Melanesian Spearhead Group (MSG).

Cross-cutting issue – Environmental sustainability and climate change

64. SPC is the region's largest provider of climate change/disaster risk support services, with a programme of some USD 120 million. Increasing the resilience of PICTs to climate variability and weather-related disasters is an essential element of the organisation's broader efforts to promote economic growth and strengthen livelihoods.
65. Regional multi-country approaches, such as those SPC delivers, offer a cost-effective and technically sustainable approach to managing and supporting key development activities that complement bilaterally financed and delivered technical cooperation. Examples of regional support include:
 - Maintaining the climate-resilient crop collection at CePaCT, which assists countries to build the resilience of farmer cropping systems and minimise crop losses due to climate variability.
 - Monitoring tuna fisheries stocks and managing coastal fisheries stocks, providing important technical capacity that many countries lack.
 - Providing technical support to countries to manage, monitor and respond to vector-borne diseases (such as malaria, dengue and others) that are driven by climate-related variability.
66. Looking ahead, there is demand to strengthen or expand SPC's climate change-related services in several areas, including building the capacity of countries to manage the impacts of vector-borne and water-borne diseases associated with floods and other climate extremes; expanding the reach and ability of CePaCT to distribute improved crop varieties to farmers across the region; and expanding the coastal fisheries climate impact monitoring programme. However, very limited funds are available to enable SPC to coordinate and manage its delivery of climate change/disaster risk services to members and discussions have started with the Governments of France and Germany on possible options.

Conclusion

67. At SPC we are continuing the reforms based on the IER recommendations from 2012 and seeking to better position the organisation for the future. The agenda for change, which sets out the strategic direction for SPC, involves a number of interrelated activities. The critical issue for SPC is to secure a sustainable and predictable funding regime to enable us to maintain or expand services in priority areas requested by members. However, while the 2015 budget is balanced with one-off savings, we anticipate a serious shortfall in 2016, 2017, and beyond unless income levels improve. SPC's long-term financial outlook is fragile and CRGA is asked to assist the secretariat to address delays in the

payment of host country grants, assessed contributions and long-standing arrears, and to explore the possibility of voluntary contributions. We are also seeking to mobilise resources from non-traditional sources and to achieve further efficiencies within the organisation.

68. While no radical policy or structural changes are anticipated at this stage, it is essential that CRGA members appreciate the fragile financial situation of SPC and the continuing heavy reliance on project funding. Unless income streams improve during 2015, SPC may be required to reduce services from 2016 onwards. Naturally, we will continue to work with members and development partners ahead of time to address this risk.

Recommendations

69. CRGA is invited to:
- i. acknowledge the major challenges facing SPC in the medium term;
 - ii. note the priorities for the technical divisions in the medium term;
 - iii. note the likely impact of the implementation of the programming approach;
 - iv. recognise the outlook for SPC's financial situation from 2016 onwards;
 - v. endorse the agenda for change designed to position SPC for the future, enhance the effectiveness of the work it does with and for members, and secure sustainable financing for the organisation;
 - vi. secure payment of host country grants and outstanding arrears as a matter of urgency.
-

Annex A

8th Conference decisions: Action and implementation matrix

Decision	Status as at 7 March
<i>Post-2015 development agenda</i>	
<p>1. Conference welcomed SPC's commitment to:</p> <p>a. assist all its island members to position themselves to engage strategically in the post-2015 development agenda and requested that SPC take a leadership role in helping them develop shared solutions;</p> <p>b. facilitate collaboration to ensure that the territories are informed and represented through partnerships with the independent states of the region;</p> <p>c. analyse and communicate information to brief Permanent Missions to the United Nations based in New York; and</p> <p>d. build the capacity of members to contribute effectively to the formulation of the Sustainable Development Goals.</p>	<ul style="list-style-type: none"> • <i>Technical advisory support was provided to Pacific SIDS and some metropolitan members at the 3rd SIDS Conference. A number of key partnerships were developed and registered.</i> • <i>Participated in the high-level forum and other forums, with constant monitoring of developments in dialogue on the post-2015 agenda.</i> • <i>Meetings held with representatives of New Caledonia and French Polynesia on enhancing their participation in SPC's work and on establishing joint development projects with SPC's independent members.</i> • <i>Ongoing, with support from Director, SDD, on indicators</i> • <i>A number of key briefing papers have been prepared on priority areas such as renewable energy, water and sanitation, disaster risk management, NCDs and health, food security, and agriculture.</i>
<i>Director-General's overview</i>	
<p>2. Conference recognised the major challenges in coming years that will need the continued attention of SPC's Senior Leadership Team. They include:</p> <p>a. further strengthening SPC's governance arrangements;</p>	<ul style="list-style-type: none"> • <i>A Governance Review Working Group was established and met several times with a report commissioned by the WG to review governance arrangements. A Special CRGA session will be held on 3 November to review and agree on recommendations.</i>
<p>b. ensuring sustainable financing of its work;</p>	<ul style="list-style-type: none"> • <i>ongoing and part of the change agenda for SPC</i>
<p>c. strengthening engagement in the post-2015 development agenda;</p>	<ul style="list-style-type: none"> • <i>ongoing and continuing support to Pacific SIDS provided</i>
<p>d. ensuring SPC's services remain relevant to the priorities of its island members;</p>	<ul style="list-style-type: none"> • <i>continued analysis through SLT Working Group – reflected in the change agenda for the organisation</i>

<p>e. properly addressing membership issues; and</p>	<ul style="list-style-type: none"> • <i>Work completed with Australia, as depositary of the Canberra Agreement, to produce an official depositary notification to all members, validating the three conference resolutions from 2013.</i> • <i>Consultations took place throughout the year with founding members and a new proposal is being tabled at CRGA 44 as a way forward on this issue.</i>
<p>f. dealing with the secretariat's human resources challenges.</p>	<ul style="list-style-type: none"> • <i>Director, HR, has been appointed, tasked with a number of key developments, including reviewing policies and procedures in HR, supporting the newly established recruitment unit, and reviewing medical and other benefits provided to staff.</i>
<p>3. Conference agreed to formally accord posthumous recognition of the contribution to SPC of Mr William Forsyth, its first Secretary General, who, as a member of Australia's Department of External Affairs, proposed the 'South Seas Commission' in 1943 to facilitate regional cooperation in the post-war period – a vision that became the first example of regional cooperation in the Pacific.</p>	<ul style="list-style-type: none"> • <i>Gift for Forsyth Family purchased and engraved in recognition of W. Forsyth's contribution to SPC/Pacific regionalism.</i>
<p><i>Programmes Directorate</i></p>	
<p>4. Conference welcomed the establishment in 2013 of the Programmes Directorate, in which SPC's seven technical divisions will work together to leverage their multi-sector capacities and enhance programme effectiveness:</p> <ul style="list-style-type: none"> • Education, Training and Human Development Division – Conference noted the recommendations of the review of the Secretariat of the Pacific Board for Educational Assessment (SPBEA), acknowledged the importance of expanding the mandate of SPBEA to encompass education quality, and agreed to: <ul style="list-style-type: none"> ○ establish a joint working group of members and the secretariat to further assess the optimum approach and resources required to take the recommendations forward. 	<ul style="list-style-type: none"> • <i>CRGA Working Group chaired by Kiribati, with other country members, including Fiji, Nauru, Australia, New Zealand, Papua New Guinea, Solomon Islands, Federated States of Micronesia, was established. The working group met several times and has produced a report with key recommendations for consideration by CRGA 44.</i>

<i>Strategic Engagement, Policy and Planning Facility</i>	
<p>5. Conference also acknowledged the work led by SEPPF to improve the joint country strategy process and supported:</p> <p>a. the formation of a Joint Country Strategy (JCS) Working Group, comprising CRGA members and SPC divisions to develop a proposal for the new JCS process. Conference welcomed expressions of interest from Australia, FSM, Fiji, Kiribati, New Caledonia, RMI and Solomon Islands in participating in this working group, which is expected to begin work in early 2014.</p>	<ul style="list-style-type: none"> • <i>This process has been postponed until 2015. The reasons for this are that SPC is evolving, and the programme approach being developed will, by its nature, mean a different approach, probably including more ongoing dialogue with members and particular emphasis on a few critical development issues identified by members. As such, clarification of this approach, and what is possible given SPC's capacity, is needed before organising the working group. Financial constraints in supporting this working group have also been an issue and are expected to remain an issue in 2015.</i>
<i>Operations and Management Directorate</i>	
<p>6. Recognising the challenges faced by the secretariat in recruitment, as well as anomalies in the salaries of CROP (Council of Regional Organisations in the Pacific) CEOs, Conference:</p> <p>a. approved the establishment of a CRGA Working Group to look at these issues, in particular:</p> <ul style="list-style-type: none"> ○ the appropriate salary band for the position of SPC Director-General, based on the size and scope of the role relative to CEO roles in the smaller CROP organisations; and ○ welcomed the expressions of interest from Australia, FSM, France (former Chair of CRGA), Guam, Kiribati (Chair), New Caledonia, RMI (incoming Chair) and USA in participating in the Working Group. 	<ul style="list-style-type: none"> • <i>A consultancy is under way to provide the future working group with the objective information and assessment it needs to consider these matters. It is anticipated that the results of the consultancy could be communicated to members of the working group by late November 2014.</i>
<p>7. Conference called for a post-RIF job-sizing exercise to be considered, and for the reconvening of the CROP Harmonisation Working Group (comprising member PICTs) to address anomalies in the application of remuneration harmonisation practices between participating CROP agencies and to share the</p>	<ul style="list-style-type: none"> • <i>Given the lack of appetite among other CROP agencies to truly work on harmonisation, it was decided to await the results of the consultancy mentioned at point 6 before addressing this issue again.</i>

findings of the CRGA Working Group.	
<i>Financial year 2014 budget</i>	
8. Conference approved a forward-looking budget of 95,357,400 CFP units and acknowledged the secretariat's proactive approach to building its reserve with the aim of increasing it to a level sufficient to cover 60–90 days of operation, as is the practice in similar organisations.	<ul style="list-style-type: none"> • <i>New budget procedure circulated to the SLT Budget Committee. It will be refined and used to build the 2016 budget.</i> • <i>Due to financial constraints, it has not been possible to build SPC's reserves in the proposed 2015 SPC budget.</i>
<i>Audit and Risk Committee report</i>	
9. Conference noted the report of SPC's Audit and Risk Committee and its three-year work plan (2013–2015). It further noted that the committee has appointed an international accounting firm to undertake the internal audit work described in the three-year plan.	<ul style="list-style-type: none"> • <i>The Audit and Risk Committee met three times during the year with the internal audit work having commenced. A report from ARC will be discussed at CRGA 44.</i>
10. Conference approved the resolutions that would confirm the legal effect of the 1997 Conference resolution to change SPC's name from the 'South Pacific Commission' to the 'Pacific Community', and reaffirmed the 1983 Conference resolution granting full and equal membership to all current members of SPC.	<ul style="list-style-type: none"> • <i>Work completed with Australia, as depositary of the Canberra Agreement, to produce an official depositary notification to all members.</i> • <i>There are ongoing discussions on one aspect of the 1983 Resolution on which the secretariat will work with the depositary.</i>
<i>Pacific Community membership policy</i>	
11. Conference approved the resolution on extending the territorial scope of the Pacific Community to include Timor Leste to accommodate a probable request for full membership by Timor Leste and acknowledged the statement made by the Vice Minister of Foreign Affairs of Timor Leste, and welcomed Timor Leste's expression of interest in full membership of the Pacific Community.	<ul style="list-style-type: none"> • <i>An explanatory letter was sent to Timor Leste by the DG outlining the process it would need to follow to become a participating government.</i> • <i>DG and DDG OMD met with the Timor Leste Ambassador in Brussels and this matter was discussed.</i> • <i>Timor Leste has been invited to CRGA 44 as an observer and the secretariat awaits an indication as to its official position on membership of SPC.</i>
12. Conference approved in principle the creation of new membership categories such as 'associate member' and 'observer' as an excellent means of enhancing engagement and organisational outreach and contributing to furthering the work of SPC on behalf of members. Conference directed the secretariat and the expanded Working Group on Membership – comprising Australia, Fiji, France, French Polynesia, Guam, Marshall Islands, New Zealand, Papua New	<ul style="list-style-type: none"> • <i>Consultations took place throughout the year with founding members on legal issues around creating such categories. A new proposal is being tabled at CRGA 44 as a way forward on this issue, which will allow the working group to resume its activities and make a concrete proposal to the 9th Conference of the Pacific Community.</i>

<p>Guinea, Samoa and the United States – to further analyse a proposed ‘Pacific Community membership policy’ over the course of the coming year, with the results and recommendations to be presented to CRGA 44 in 2014.</p>	
<p><i>SPC governance arrangements</i></p>	
<p>13. Conference acknowledged the importance of further strengthening SPC’s governance processes, and agreed to commission a review of these processes in 2014, funded from SPC’s existing budgetary resources, with the findings and recommendations of the review to be presented to CRGA 44.</p>	<ul style="list-style-type: none"> • <i>A Governance Review Working Group was established and met several times, with a report commissioned by the WG to review governance arrangements. A Special Session of CRGA will be held on 4 November to review and agree on the recommendations.</i>
<p><i>Review of assessed contributions and host grants</i></p>	
<p>14. Conference agreed to: (i) the grouping of SPC’s 22 island members into five categories with associated levels of membership contributions (noting the request from Guam to be given until after 2015 to fully consider the increase); and (ii) the target for membership contributions for SPC’s founding members (noting USA is unlikely to meet this target in the foreseeable future). Conference welcomed the confirmation by France, Papua New Guinea and New Caledonia of their agreement to the proposed levels of their respective contributions.</p>	<ul style="list-style-type: none"> • <i>France and New Caledonia agreed to the increase but will transform funds from ‘voluntary’ to ‘assessed contribution’ to do this.</i> • <i>At the date of writing, no assessed contribution has been received from PNG and the secretariat is awaiting an indication from Guam as to its capacity to pay the increased contribution endorsed at CRGA 43 and the 8th Conference.</i>
<p>15. Conference agreed to the target of 3 million CFP units for the country host grants and directed the secretariat to consult further with the four host countries in 2014 to agree on the distribution formula for the grants, and to share with all members the findings of the study it commissioned on economic benefits to host countries. Conference welcomed the confirmation by Solomon Islands of its agreement to a proposed host grant of 50,000 CFP units beginning in 2014.</p>	<ul style="list-style-type: none"> • <i>Consultations have taken place and, to date, no host country has been able to confirm its willingness/capacity to pay an increased host grant.</i> • <i>The study on the economic benefits of hosting an SPC office was provided to all host countries.</i>
<p>16. Conference acknowledged the importance of integrating the separate regional frameworks for climate change and disaster risk management (DRM) into a single regional strategy, and endorsed the secretariat’s efforts to support the ‘roadmap’ process for the</p>	<ul style="list-style-type: none"> • <i>Final consultations have been held on the integrated framework for disaster risk management and climate change. The draft integrated strategy has been endorsed by the SPREP Annual meeting and ministers. It is anticipated that CRGA 44 will also review the strategy.</i>

development of the joint strategy for disaster risk management and climate resilient development in the Pacific by 2015.	
<i>Findings of the Pacific Plan review and possible implications for SPC</i>	
17. Conference welcomed the secretariat's initiative in presenting a preliminary assessment of the review of the Pacific Plan, noting the report is yet to be considered and adopted. Conference noted that when it has been considered, the secretariat will further assess the possible implications of the review's recommendations for SPC's work and bring this assessment to the attention of CRGA 44, recognising that not all members of SPC are members of the Pacific Islands Forum or associated directly with the Pacific Plan.	<ul style="list-style-type: none"> • <i>A presentation shall be made on the new Framework for Pacific Regionalism.</i> • <i>Implications for SPC cannot be fully assessed, although the adoption of the new framework gives SPC an opportunity to continue to work within its own structures.</i> • <i>Leaders' recommendations have given ministerial meetings some autonomy to make key decisions in their own areas of competence.</i>
Ninth Conference of the Pacific Community	
18. Conference accepted with thanks the offer from Niue to host the Ninth Conference of the Pacific Community in November 2015. As host, Niue will chair the Ninth Conference, with the Vice-Chair to be confirmed at CRGA 44.	<ul style="list-style-type: none"> • <i>This is on track</i>