



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 7: OPERATIONS AND MANAGEMENT DIRECTORATE REPORT

AGENDA ITEM 7.3: 2014 REVISED AND 2015 PROPOSED BUDGETS

(Paper presented by the Secretariat)

Summary

1. This paper presents the SPC proposed budget for financial year 2015 for consideration and endorsement by CRGA.
2. It also presents the revised 2014 budget to CRGA for noting in accordance with SPC's Financial Regulation which requires the Director-General to inform CRGA of revisions of the budget.
3. The revised 2014 budget is a balanced budget, totalling 110.401 million CFP units (core funding 30.841 million CFP units, project funding 79.560 million CFP units) in income and expenditure. Overall, the 2014 revised budget reflects an increase of 15.044 million or 15.8 % compared to the original budget of 95.3574 million CFP units.
4. The Secretariat proposes a balanced 2015 budget of 110.951 million CFP units, comprising the core budget of 32.97 million CFP units and project funding of 77.981 million CFP units.
5. This paper also draws CRGA's attention to a projected deficit of 1.126 million CFP units and 2.681 million CFP units in the 2016 and 2017 core funded budgets.
6. Given the tight financial situation, the secretariat is not able to invest any funds towards building SPC's reserves in the 2015 budget, nor in the 2016-2017 budget.

Recommendations

7. CRGA is invited to:
 - i. approve the proposed budget for financial year 2015;
 - ii. note the serious budgetary situation for 2016 and 2017; and
 - iii. note the progress update on SPC's reserves.
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2014 REVISED AND 2015 PROPOSED BUDGETS

Purpose

8. This paper presents the SPC proposed budget for financial year 2015 for consideration and endorsement by CRGA.
9. It also presents the revised 2014 budget to CRGA for noting in accordance with SPC's Financial Regulation, which requires the Director-General to inform CRGA of revisions of the budget.

Introduction

10. The proposed 2015 budget and the revisions to the 2014 budget are contained in the green budget book. This consists of the income budget and the expenditure budget, and also contains a summary of expenditure by budget chapter (i.e. by division).
11. The revised 2014 budget is a balanced budget totalling 110.401 million CFP units (core funding 30.841 million CFP units, project funding 79.56 million CFP units) in income and expenditure. Overall, the 2014 revised budget reflects an increase of 15.044 million or 15.8% compared to the original budget of 95.3574 million CFP units.
12. The Secretariat proposes a balanced 2015 budget of 110.951 million CFP units, comprising the core budget of 32.97 million CFP units and project funding of 77.981 million CFP units. The core budget makes up 29.7% of the total budget.
13. In line with SPC's long-standing policy, only assured funding is included in the budget; prospective funding from pipeline projects is not included.

Terms used in the paper

14. Funding in the 2014 revised budget and proposed 2015 budget is classified under the headings of *core funding* and *project funding*.
15. *Core funding* is either unrestricted or restricted in its use.
 - i. Unrestricted core income refers to income received from the following sources: members' assessed contributions, host country grants, and general income (such as management fees, bank interest, miscellaneous income and service fees charged by SPBEA). It also includes contributions from members (e.g. Australia, France and New Caledonia) to fund the secretariat's core business operations;
 - ii. Restricted core income is designated or tagged for specific use by divisions (e.g. Australia, France and New Caledonia).
16. *Project funding* refers to non-core 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

17. Supporting the income and expenditure budget summary on pages 1 to 4 of the green budget book is each division's budget by budget chapter, which shows:
 - funding categories – core and project funding;
 - budget narratives, which describe for each division/programme its goal, objectives and key planned outputs/results to be achieved under core and project funding for FY 2015; and

- budget forecast for the next two years FY 2016 and FY 2017, alongside the FY 2015 budget and FY 2014 revised budget.

18. The green budget book also contains a number of annexes with supporting information, such as 2015 assessed contributions and host grants, and an income forecast to 2017 by funding type and by source (member/donor) allocation of core funding.

Budget assumptions

19. Assessed contributions for FY 2014 revised budget, FY 2015 and FY 2016-2017 years are at levels agreed to last year at Conference. From FY 2015 the metropolitan members contribute 9,167,665 CFP units made up of:

Australia	3,200,000 CFP units
France	2,500,000 CFP units
New Zealand	2,050,000 CFP units
<u>USA</u>	<u>1,417,665 CFP units</u>
Total	9,167,665 CFP units

20. The 22 island members of SPC contribute 2,113,600 CFP units in assessed contributions. Each such member falls within one of the five categories of membership contributions, as endorsed by the 8th Conference of the Pacific Community. Individual members' contributions are shown in Annex 1 of the green budget book.

21. The 8th Conference also noted the request from Guam to review its capacity to pay an increased assessed contribution of 130,000 CFP units per annum, under category 2, after 2015. As a consequence, Guam's contribution in the budget is still at the 2014 amount. The secretariat would welcome an indication from Guam on this matter.

22. Host country grants have been allowed for at the level of 150,000 CFP units in total. New Caledonia and Fiji's host grants are respectively 60,000 CFP units, and 40,000 CFP units. The 8th Conference approved the introduction of host grants for Federated States of Micronesia and for Solomon Islands. Solomon Islands confirmed the annual host grant of 50,000 CFP units from 2014 and this amount is included in the budget for FY 2015. At the date of writing, FSM has not confirmed its willingness or capacity to pay the projected annual host grant of 200,000 CFP units.

23. The secretariat draws members' attention to the fact that the 8th Conference also acknowledged the proposal to increase the total amount of host grants to 3,000,000 CFP units by fiscal years 2015/2016. Consultations are still under way with New Caledonia, Fiji and Federated States of Micronesia on this matter and, as a consequence, host grants are conservatively maintained in FY 2015 and FY 2016-2017 at the FY 2014 level. The secretariat would, once again, welcome any indication from those host countries of their capacity to increase their host country grant in line with the proposal and schedule presented at CRGA 43 and the 8th Conference of the Pacific Community.

24. General income (such as project management fees, bank interest) is forecast, taking into account 2014 income to date, current market rates and approved projects.

25. Programme funding that is tagged or designated for the delivery of specific divisional outputs is separately shown from programme funding that is available for use as determined by SPC. Designated programme funding is received from Australia (EDD,¹ FAME) New Zealand (AGTD, FAME, LRD, PHD, SDD, SEPPF), and New Caledonia (property maintenance grant and FAME).

¹ Abbreviations for SPC technical divisions used in this paper: AGTD – Applied Geoscience and Technology Division; EDD – Economic Development Division; ETHDD – Education, Training and Human Development Division; FAME – Fisheries, Aquaculture and Marine Ecosystems Division; LRD – Land Resources Division; PHD – Public Health Division; SDD – Statistics for Development Division; OMD – Operations and Management Directorate.

Revised 2014 budget overview

26. The revised budget is a balanced budget totalling 110.401 million CFP units (core funding 30.841 million CFP units, project funding 79.56 million CFP units) in income and expenditure. Overall, the 2014 revised budget reflects an increase of 15.044 million, or 15.8%, over the original budget of 95.3574 million CFP units.
27. Annex B to this paper contains comments on major changes in expenditure (amounting to 10% or 100,000 CFP units) between the revised 2014 budget and the original conference-approved 2014 budget. The comments cover both core funding and project variances.

Core funded budget 2014

28. Core income – the main increase of 4.079 million CFP units is a result of:
 - a) designated funding from Australia of two million CFP units (AUD 2.5 million) tagged to energy and transport programmes under EDD; in the original 2014 budget, this was shown under project funding;
 - b) designated programme funding from NZ of 2.3 million CFP units tagged to outputs delivered by technical divisions; this funding was agreed to after the 2014 conference budget was approved; and
 - c) a decrease of 258,000 CFP units in Australia funding arising from the decline in the AUD/XPF rate in the conference approved budget (82 down to hedged rate of 80).
29. The decrease in core funding income from the AUD fall was managed mainly through the freezing or delayed recruitment of a number of staff positions (strategic communications positions, director of PHD, a number of positions in OMD), and also positive currency movements (SDR/XPF and FJD/XPF). The management measure taken also enabled resources of 500,000 CFP units to be freed up under the DG's office, to address previously unbudgeted priority initiatives (such as the SIDS conference, the EU 7 pillar assessment).
30. Annex A to this paper provides a summary of the revised budget of core income and expenditure of divisions and programmes by budget chapter, as at August 2014.

Project-funded budget 2014

31. Projects total 79.56 million CFP units in the revised 2014 budget; an increase of 10.97 million CFP units (16.6%) over the original budget of 68.594 million CFP units. The increase is from new projects approved during the year. SPC policy is to recognise only approved projects in the budget; pipeline projects are not included.

Proposed 2015 budget overview

32. A balanced proposed 2015 budget of 110.951 million CFP units is presented to CRGA, comprising the core budget of 32.97 million CFP units and project funding of 77.981 million CFP units. The core budget makes up 29.7% of the total budget.
33. Members contribute 39.8% of the total budget (metropolitan members 36.6%, Pacific Island members 3.2%). Development partners contribute 51.7%, and the remaining 8.5% comes from other internal income sources.
34. The green budget book presents a summary of income by type (core funding, project funding). Annex C of this paper is a commentary on major changes in expenditure (amounting to at least 10% or 100,000 CFP units) between budgets.

35. Chapter I – Director-General's Office and Deputy Directors-General – covers the budget of the Director-General's office and the offices of the three Deputy Directors-General. It also includes the Strategic Engagement, Policy and Planning Facility, and the Communications and Public Relations office. Together, these units account for 15.4% of the total budget. This percentage is high, due to the fact that the DDG – Programmes office manages a number of multi-sectoral projects that are not attached to any of SPC's technical divisions (in fields such as climate change) and thus the DG Programmes budget represents 12% of the total budget.
36. Chapters II-VIII cover the budgets of all the technical divisions under the Programme Directorate. The Applied Geoscience and Technology Division continues to be the largest of the seven technical divisions with 15.5% of the total SPC budget. The Land Resources Division and the Economic Development Division each account for 12.8% of total SPC funding. The Fisheries, Aquaculture and Marine Environment (FAME) Division accounts for 11.6% of the budget. This is followed by the Public Health Division at 8.1%, the Education, Training and Human Development Division at 5.9% and the Statistics for Development Division at 4.2%.
37. Chapter IX deals with the Operations and Management Directorate (OMD), which provides support for the work of the organisation across eight broad areas: administration, finance, human resources, ICT, legal services, library services, publications and printery, translation and interpretation. The OMD also includes SPC's decentralised offices (the North Pacific office and the Solomon Islands country office) and houses the PIRMCCM² secretariat. OMD represents 8.9% of the total budget.
38. Chapter X – Common charges cover overhead costs such as maintenance and operating costs of facilities, utilities, telecommunication, general insurance and governing council. It includes the property maintenance grant provided by New Caledonia of 700,000 CFP units per year (2013-2015). Common charges form 2.6% of the total budget.
39. Chapter XI – Housing Unit and canteen operations. Both the Housing Unit and the canteen operation are brought for the first time into the SPC budget. As they are self-funded operations, they were previously not included in the SPC budget figures but separately disclosed in the annex in the green budget book. Both the Housing Unit and canteen have projected small, self-generated surpluses for 2015. Any surpluses or deficits are transferred to the special funds reserve at the end of each financial year.

Core-funded budget 2015

40. The core-funded budget is balanced mainly due to a one-off injection of 1.24 million CFP units from funds carried forward from previous years. Whilst the budget is balanced for FY 2015, as mentioned above this is unsustainable beyond 2015 unless there is either an injection of additional income or a reduction in expenditure and thus services to the region.
41. The fall in the AUD since 2013 continues to adversely affect core income.³ As in 2014, this decline has negatively affected the 2015 core budget by decreasing core income by over 2 million units.
42. The 2015 income situation has also been affected by uncertainty surrounding the possibility of Fiji and New Caledonia increasing their host country grants and FSM paying a host country grant. It was anticipated, following the 8th Conference of the Pacific Community, that Fiji, New Caledonia and FSM would be able to at least partially meet the proposed increase in host country grants in 2015. However, as the secretariat has received no firm commitment, no additional host country contribution has been included as income in the 2015 budget.⁴

² Pacific Islands Regional Multi-Country Coordinating Mechanism

³ From an AUD/XPF rate of 98 down to 80 in the revised 2014 budget and 2015.

⁴ Anticipated increase in host grants from CRGA paper 2013 of 1.375 million CFP units for FY 2015 (including increase for Fiji from 40,000 to 585,000, for FSM from 0 to 100,000, for NC from 60,000 to 750,000) being 50% of the total increase requested of 2.75 million CFP units. This was included in 2015 income projections in the 2014 green budget book.

43. Once all core-funded allocations had been made in order to allow SPC to carry out its missions in 2015, a small pool of around 800,000 CFP units remained. After a robust debate, the Senior Leadership Team decided that only three new priorities could be funded:
- a programme support officer to provide support to the Programmes Directorate as it moves toward an integrated programming approach to development;
 - an NCD adviser to drive the important NCD agenda in PHD; and
 - an allocation of 280,000 CFP units per year to improve working conditions by harmonising the staff medical insurance scheme across all SPC locations in 2015.⁵
44. The 2015 budget also makes provision for the establishment of a change agenda coordinator in the DG's office and for a director of corporate and strategic communications. It should be noted that the change agenda coordinator position is cost neutral, as OMD agreed to transfer to the DG's office a previously core-funded position in the administration section. As regards the director of corporate and strategic communications, this position was budgeted for in 2014 but recruitment was delayed for a year in order to create savings to address the 2014 budget difficulties. It is not, therefore, a new position.
45. Funding is currently insufficient to address a number of other important priorities, which will have to be deferred until such time as funding becomes available.
46. In the 2015 budget, the decision was made to restore the 8.8% (around 1 million CFP units) reduction made to the core-funded budgets of SPC's technical divisions in 2014 in order to address the fall in the AUD. This is to ensure that these divisions can continue to meet the demands and needs of SPC's member countries and territories.
47. After due consideration of its own tight financial situation, the secretariat is implementing measures to control costs. This includes the reduction of core funding travel budgets by 10% in 2015. The secretariat will continue to seek internal efficiency gains such as competitive tenders and bulk purchasing in an attempt to meet the projected budget deficit of 1.126 million CFP units in 2016 and 2.681 million CFP units in 2017, but this will not suffice.
48. The secretariat requests that CRGA and SPC's member countries and territories examine the financial situation of the organisation and provide guidance on whether additional funding can be found. Such funding may consist of a commitment to pay the proposed levels of host country grants or the guarantee that all members will pay their assessed contribution.
49. As an illustration of the importance of the latter, the total amount of 2014 assessed contributions agreed in the 2014 budget is 11,795,227 CFP units. However, to date, the secretariat has received only 10,332,439 CFP units, which leaves a total deficit in cashflow of 1,462,788 XPF units.⁶
50. The secretariat draws CRGA's attention to the fact that this situation does have a negative effect on SPC's capacity to forward plan in terms of allocating funds to specific areas that provide services to the region. This will be even more the case, if assessed contributions are not paid in full in 2015, in light of the fragile state of SPC's projected finances.

Project-funded budget 2015

51. Compared to the revised 2014 budget of 79.56 million CFP units, the 2015 project budget is forecast to be slightly lower at 77.98 million CFP units. The green book includes a four-year project income forecast in Annex 4. It also provides further information on project funding by development partner. In 2015, members contribute 18.2 million CFP units (23.4%) with development partners providing 57.4 million CFP units (73.6%) of project funding. Self-funded housing and canteen operations generates

⁵ This measure will ensure staff equity in this area and provide a concrete response to a long-standing request from SPC's staff representative committees.

⁶ If full arrears are added to this figure, the total deficit in assessed contributions is increased to 2,441,633 CFP units.

2.38 million CFP units (3%) internally. The EU is anticipated to be the single largest project donor with 45.7 million CFP units (58.5%), followed by Australia at 14.4 million CFP units (18.5%).

52. 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 an increase in project income can be expected as pipeline projects progress through appraisal processes. For example, project funding in the revised 2014 budget is approximately 11 million CFP units more than it was in the original 2014 budget.

2016-2017 OUTYEAR BUDGET OVERVIEW

53. The 2015 green book includes two additional years, FY 2016 and FY 2017. Budget assumptions are essentially the same as for the 2015 budget.
54. The 2016-2017 core funding budgets are projected to be 1.126 million CFP units and 2.681 million CFP units in deficit. In casting the projections, it is assumed that operating expenditure is generally at the 2015 budget levels. This is, therefore, a realistic projection and does not include new initiatives or priority areas that cannot be funded with certainty. The secretariat is planning to have budget committee discussions after CRGA to further review allocations in the 2015 budget with an eye to preparing the 2016-2017 financial years and to address priority funding requests from divisions.
55. Project management fees are expected to fall significantly in both years from 2015 levels: by 899,000 CFP units in 2016 and 2.345 million CFP units in 2017. This is a direct result of the projected decrease in income from projects that are assured (from 77.9 million CFP units in FY 2015 to 48.2 million CFP units in FY 2016, and to 31.5 million CFP units in FY 2017). As only assured funding is included in the budget projections and prospective funding from pipeline projects (such as EDF 11) is not included, an increase in management fees is anticipated. Host grants are maintained at 2014 levels in the projections, in the absence of any indication on the proposed increase from host countries.
56. In light of these projections, SPC will need to continue to control costs internally and implement cost recovery mechanisms. In the short to medium term, the secretariat will also need to significantly increase its resource mobilisation capacity. This will require an investment of time and money but is a crucial element of SPC's sustainable financing and outreach in the future.

Progress on increasing SPC's reserves

57. CRGA 40 approved the secretariat's proposal to build the organisation's reserves to improve its capacity to deal with temporary funding shortfalls and unforeseeable funding requirements. Target levels were agreed to be achieved by financial year 2015. This decision was endorsed by the IER to increase reserves to between three and five million CFP units.
58. In light of the financial constraints for the 2015 budget, however, the secretariat is not able to set aside any funds towards building SPC's reserves in the 2015 budget.⁷ The situation is likely to be similar in 2016-2017, given the projected budget deficits in those years.
59. The secretariat's reserves to 2015 are 4.1 million CFP units, well below the 2015 CRGA target of five million CFP units.

⁷ The proposal made at the 8th Conference of the Pacific Community was to proactively build SPC's reserves with the aim of further increasing reserves to a level sufficient to cover 60-90 days of operation. This is equivalent to about 16 to 25 million CFP units for a 100 million budget.

Conclusion and recommendations

60. CRGA is invited to:
- i. approve the proposed budget for financial year 2015;
 - ii. note the serious budgetary situation for 2016 and 2017; and
 - iii. note the progress update on SPC's reserves.
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Annex A				
CORE INCOME AND EXPENDITURE BUDGET REVISED 2014 (in CFP units: 1 unit = 100 CFP Francs)				
	CORE			
	2014	Actual Aug-14	Revised 2014	%
INCOME				
CORE FUNDING				
UNRESTRICTED CORE INCOME:				
Assessed contributions :				
Metropolitan Members	9,162,112	9,167,665	9,167,665	100%
Island Members	2,113,600	2,113,600	2,113,600	100%
Subtotal	11,275,712	11,281,265	11,281,265	100%
Host Grants				
Fiji	40,000	40,000	40,000	100%
New Caledonia	60,000	60,000	60,000	100%
Solomon Islands	50,000	50,000	50,000	100%
Subtotal	150,000	150,000	150,000	100%
TOTAL ASSESSED CONTRIBUTION & HOST GRANTS	11,425,712	11,431,265	11,431,265	100%
General Income:				
Management fees & Recoveries	4,662,000	2,305,500	4,669,500	49%
Student & scholarship fees	379,000	240,900	399,000	60%
Bank interest	350,000	207,300	300,000	69%
Miscellaneous	50,000	98,000	99,811	98%
Subtotal	5,441,000	2,851,700	5,468,311	52%
Programme funding				
Australia	7,868,000	7,610,000	7,610,000	100%
France	363,920	363,920	363,920	100%
New Caledonia	215,464	220,000	220,000	100%
Subtotal	8,447,384	8,193,920	8,193,920	100%
TOTAL UNRESTRICTED CORE INCOME	25,314,096	22,476,885	25,093,496	90%
RESTRICTED CORE INCOME				
Programme funding (Designated)				
Australia		2,000,000	2,000,000	100%
New Zealand		2,299,000	2,299,000	100%
New Caledonia	760,000	760,000	760,000	100%
Subtotal	760,000	5,059,000	5,059,000	100%
TOTAL CORE INCOME	26,074,096	27,535,885	30,152,496	91%
Reserves transfers from (to)				
General Reserve	688,504	688,504	688,504	100%
Carried forward funds				
Total transfers	688,504	688,504	688,504	100%
TOTAL CORE INCOME & TRANSFERS	26,762,600	28,224,389	30,841,000	92%
EXPENDITURE				
CHAPTER I – DIRECTOR-GENERAL'S OFFICE AND DEPUTY DIRECTORS GENERAL				
Director-General's Office	811,200	620,100	1,313,200	47%
Deputy Director-General (Programmes)	577,100	255,500	397,100	64%
Deputy Director-General (Operations and Management)	379,300	165,100	259,300	64%
Deputy Director-General (Suva)	234,800	165,600	237,800	70%
Strategic Engagement, Policy and Planning Facility	1,082,100	665,700	1,216,400	55%
Communications and Public Relations	405,600	137,500	278,400	49%
TOTAL CHAPTER I	3,490,100	2,009,500	3,702,200	54%
CHAPTER II - APPLIED GEOSCIENCE AND TECHNOLOGY DIVISION	2,076,700	1,737,000	2,743,600	63%
CHAPTER III - ECONOMIC DEVELOPMENT DIVISION	522,700	1,644,900	2,390,000	69%
CHAPTER IV - EDUCATION, TRAINING AND HUMAN DEVELOPMENT	1,985,100	1,226,500	1,938,400	63%
CHAPTER V - FISHERIES, AQUACULTURE AND MARINE ECOSYSTEMS	2,663,000	1,815,900	3,211,400	57%
CHAPTER VI - LAND RESOURCES	1,745,200	1,267,800	2,055,400	62%
CHAPTER VII - PUBLIC HEALTH	1,427,800	1,031,100	1,676,800	61%
CHAPTER VIII - STATISTICS FOR DEVELOPMENT	1,003,300	843,200	1,201,300	70%
CHAPTER IX - OPERATIONS AND MANAGEMENT				
Decentralised Offices :				
North Pacific Regional Office	544,100	441,100	581,100	76%
Solomon Islands Country Office	241,800	177,500	244,800	73%
Subtotal	785,900	618,600	825,900	75%
Support Services				
Administration	1,541,800	857,700	1,396,200	61%
Finance	1,206,400	768,600	1,170,300	66%
Human Resources	1,085,600	664,500	1,080,900	61%
Information Communication Technology	1,554,700	1,006,700	1,547,300	65%
Library	378,900	230,200	375,500	61%
Publications	1,135,600	733,400	1,133,500	65%
Translation and Interpretation	1,400,200	938,400	1,401,500	67%
Subtotal	8,303,200	5,199,500	8,105,200	64%
Other				
PIRMCCM				
Subtotal				
TOTAL CHAPTER IX	9,089,100	5,818,100	8,931,100	65%
CHAPTER X – COMMON CHARGES	2,759,600	1,651,400	2,990,800	55%
TOTAL EXPENDITURE	26,762,600	19,045,400	30,841,000	62%

**Commentary on major variances between the original and revised 2014 budgets
by budget chapter and budget category**

This commentary provides information on major changes (amounting to at least 10% or 100,000 CFP units) between the original and the revised 2014 budget. The core budget is discussed first, followed by the project budget.

A.1 Core budget

Core budget Chapter	Variance (CFP Units)	Commentary
I. Director-General's Office and Deputy Directors-General		
Director General's Office	502,000	DG Pool funds from savings on: i) hedged AUD funds (AUD 16 m, including EDD 2.5 m – recovered 282,000 CFP units); and ii) delayed recruitment of a number of core-funded positions. Funds applied to SIDS conference, EU 7 Pillar assessment, PHD surveillance and UN observership.
Deputy Director-General (Programmes)	-180,000	Original 2014 budget included market increases for technical divisions distributed to divisions in revised 2014 budgets.
Deputy Director-General (Operations and Management)	-120,000	Original 2014 budget included market increase for support services distributed to support services in revised 2014 budgets
Strategic Engagement, Policy and Planning Facility (SEPPF)	134,300	New NZ programme funding – NZ 132,000 for MEL – student exchange programme
Communications and Public Relations	-127,200	Recruitment of director of strategic communication deferred to Nov 2014; recruitment of communications officer position in Suva deferred to 2015.
II. Applied Geoscience and Technology (AGTD)		
Geoscience for Development	670,000	New NZ designated programme funding for sustainable development of mineral resources and increased use of geoscience data for development.
III. Economic Development		
Energy	672,300	Australia funding designated programme funding, energy, under project funding in original budget moved to core programme funding in revised budget.
Transport	1,194,500	Australia funding designated programme funding, transport, under project funding in original budget moved to core programme funding in revised budget.
IV. Education, Training and Human Development		No significant variance
V. Fisheries, Aquaculture and Marine Ecosystems		
Coastal Fisheries	264,600	New Caledonia programme funding 60,000 New Australia designated programme funding – 204,600
Oceanic Fisheries	283,800	New NZ designated programme funding 284,000
VI. Land Resources		
Trade and Agribusiness	129,800	New NZ designated programme funding towards agriculture, land and forests to improve income security.
Food and Nutritional Security	152,400	New NZ designated programme funding towards agriculture, land and forests to improve food security.
VII. Public Health		
Director's Office	-240,800	Planned delay in recruitment of director and senior advisor policy, planning & performance positions

Research, Evidence and Information	349,900	New NZ designated programme funding – 330,000
Policy, Planning and Regulation	139,900	Position of team leader STI / HIV re-instated in revised budget
VIII. Statistics for Development	198,000	New NZ designated programme funding
IX. Operations and Management		No significant variance

A.2 Project budget

Projects Chapter	Variance (CFP Units)	Commentary
I. Director-General's Office and Deputy Directors-General		
Strategic Engagement, Policy and Planning Facility (SEPPF)	207,700	GIZ funding for SLT support
II. Applied Geoscience and Technology		
Director's office	172,300	New FAO funding and increased funding
Disaster Reduction	1,409,900	Increased funding allocation for EU project (Building Safety and Resilience in the Pacific); new ADB and World Bank project funding (PCRAFI – Pacific Catastrophe Risk Assessment and Financing Initiative).
Geoscience for Development	631,100	New funding from Geoscience Australia (Extended Continental Shelf Activities); NZ funding for Vanuatu Govt Survey project
Water and Sanitation	369,600	Increased funding from NZ (Pacific Water and Climate Change Resource Centre); GEF (Sustainable Water Recourse)
III. Economic Development		
Director's Office	3,040,200	New EU projects – micro projects (MPP) and rural infrastructure (sugar roads) projects
Energy	1,331,000	New EU-funded TVET project; EU-funded North-REP project extension increased funding allocation in 2014
Transport	-924,600	Australia funding in 2014 original budget under project funding – in revised budget under designated programme funding
IV. Education, Training and Human Development		
Secretariat of the Pacific Board for Educational Quality (SPBEQ)	-798,200	Reduction in Australia funding allocation for benchmarking, and literacy and numeracy.
Human Development	-668,000	Reduction as revised budget is for income from September 2014 (given donor funding covered Sept to Sept) compared to full year funding in original budget; remaining 8 months funding shifted to 2015
RRRT	353,000	New funding from PIFS, the Netherlands; increased funding allocation from Australia and UN Women
V. Fisheries, Aquaculture and Marine Ecosystems		
Coastal Fisheries	591,000	Increase in NZ funding (111,000), EU funding (185,000), Australia funding (147,000) and carry-over of activities (229,000)
Oceanic Fisheries	1,794,000	Increase in EU funding (1.2 m) and WCPFC (520,000). Due to carry-over of activities
VI. Land Resources		
Director's office	-850,000	Reduction in funding allocation for EU-funded Intra-ACP Agriculture Policy Programme
Trade and Agribusiness	1,019,600	Increased funding allocation for EU-funded IACT (Increasing Agricultural Commodity Trade) project and new Australia funding for PHAMA phase II
Sustainable Resource Management	554,400	Increased funding allocation for EU-funded IKSA (Improving Key Services to Agriculture) project and new EU funding for reforestation project.

VII. Public Health		
Research, Evidence and Information	-934,500	Reduction in Global Fund (675,000), NZ (200,000) funding taken as programme and decline in France funding (135,000)
Grant Management	-746,800	Reduction in Global Fund funding (775,000)
Policy, Planning and Regulation	420,100	Transfer of response fund funding
VIII. Statistics for Development	-836,800	Australia carry-over fund
IX. Operations and Management		
Finance	140,800	Australia funding for financial systems improvements

ANNEX C

**Commentary on major variances between the 2015 and revised 2014 budgets
by budget chapter and budget category**

This commentary provides information on major changes (amounting to at least 10% and 100,000 CFP units) between the 2015 budget and the revised 2014 budget. The core budget is discussed first followed by the project budget.

A.1 Core budget

Core budget Chapter	Variance (CFP Units)	Commentary
I. Director-General's Office and Deputy Directors-General		
Director-General's Office	-137,400	Reduction in DG Pool (one-off in 2014) and internal audit costs, but with increase from new change agenda coordinator position
Deputy Director-General (Programmes)	393,100	Cost of harmonisation medical scheme core-funded programme directorate staff – 168,000 CFP units; 2015 PAI market increases programme directorate staff – 150,000 CFP units; new position of programme support adviser, reduced activity and travel budget
Deputy Director-General (Operations and Management)	217,000	2015 PAI market increase 100,000 CFP units OMD staff; cost of harmonisation medical scheme OMD staff 112,000 CFP units
Communications and Public Relations	143,700	2015 Restored positions budgeted full year for director of strategic communications position and communications officer; slight reduced level of operating cost
II. Applied Geoscience and Technology (AGTD)		
Geoscience for Development	-645,400	NZ designated programme funding in 2014 revised budget not continued 2015
III. Economic Development		No significant variances
IV. Education, Training and Human Development		No significant variances
V. Fisheries, Aquaculture and Marine Ecosystems		
Coastal Fisheries	1,012,200	New programme Australia designated funding (900,000 CFP units)
Oceanic Fisheries	1066,500	New programme Australia funded designated funding (900,000 CFP units)
VI. Land Resources		
Trade and Agribusiness	-100,800	NZ designated programme funding in 2014 revised budget not continued 2015
VII. Public Health		
Director's Office	192,900	Director position frozen in 2014 to be filled 2015; increased travel and activities
Research, Evidence and Information	-369,800	NZ designated programme funding in 2014 revised budget not continued 2015
VIII. Statistics for Development	134,600	Restoration of 2014 reduction in 2015
IX. Operations and Management		No significant variances

A.2 Project budget

Projects Chapter	Variance (CFP Units)	Commentary
I. Director-General's Office and Deputy Directors-General		
Deputy Director-General (Suva)	-118,400	Funding in 2014 discontinued 2015.
Strategic Engagement, Policy and Planning Facility (SEPPF)	-275,300	NZ designated programme funding in 2014 revised budget not continued 2015
II. Applied Geoscience & Technology		
Director's Office	-200,600	Completion of USAID-funded GIS/Image Data for Solomon Islands; decrease in funding allocation from project carry-over funds.
Disaster Reduction	1,606,700	Increased funding allocation for EU-funded project (Building safety and resilience in the Pacific) and World Bank project – PCRAFI (Pacific Catastrophe Risk Assessment and Financing Initiative)
Geoscience for Development	-3,165,100	Reduced funding allocation for EU-funded projects (ESAT-KI05 and Deep-sea Mineral Projects), completion of Australia project funding (BIVA project) and NZ one-off funding (Vanuatu Govt. Survey project)
III. Economic Development		
Director's Office	5,339,300	Increased funding allocation for EU-funded projects – micro projects (MPP) and rural infrastructure (sugar roads)
Energy	-4,298,400	Reduced funding allocation and end-of-project preparation for EU-funded North-REP project
Transport	-812,600	Number of one-off projects completed 2014 – World Bank, PIFS IMO and French Pacific funds
IV. Education, Training and Human Development		
Human Development	405,400	Increased funding allocation for Australia funded project – full grant taken in 2015
RRRT	-408,500	Reduction in funding from Australia-funded project, end-of-project funding from EU, PIFS and UN Women
V. Fisheries, Aquaculture and Marine Ecosystems		
Coastal Fisheries	-864,400	Reduction in project funding allocation for Australia and EU-funded projects; completion of GIZ-funded project
Oceanic Fisheries	-1,414,000	Reduction in project funding allocation for EU and NZ; project completion for French Polynesia, World Bank and GIZ-funded projects
VI. Land Resources		
Director's Office	939,800	Increased funding allocation for EU-funded Intra-ACP agriculture policy project
Trade and Agribusiness	-525,500	Reduced funding allocation for EU-funded IACT (Increasing Agricultural Commodity Trade) project
Sustainable Resource Management	2,568,000	Increased funding allocation for EU-funded projects – IKSA (Improving Key Services to Agriculture) and reforestation project
Food and Nutritional Security	-954,900	Reduced funding allocation for ACIAR-funded soil health mgt project; ACIAR (PARDI), Australia - Phase II Climate Change and FAO-funded projects completed in 2014
VII. Public Health		
Director's Office	-178,800	One-off funding in 2014 for NZ-funded project
Research, Evidence and Information	250,200	Increased allocation from carry-over fund for carry-over of activities but reductions in Australia and Global Fund projects
Grant Management	-906,900	Reduced project funding allocation on Global Fund projects
Policy, Planning and Regulation	-382,700	Australia-funded projects completed in 2014

VIII. Statistics for Development	1,378,500	New Australia Funding for phase 2: 2015-2017 of TYPSS (ten year Pacific statistical strategy) and EMIS (education management information system)
IX. Operations and Management		
Solomon Islands Country Office	-600,700	Reduced funding allocation due to completion of Australia-funded project
Finance	-184,900	Project completion of Australia-funded project for FIS improvements

ANNEX D

SPC Projected Reserves to 2015							
	31.12.13	2014-2015 movements	31.2.15 projected	CRGA 41 Target levels	60 days level	Additional Required cf CRGA 40	Additional Required at 60 days operation
General Reserve	3 614 497	(688 504)	2 925 993	3 000 000		74 007	
Emergency Evacuation	30 000		30 000	30 000			
Plant & Equipment Replacement	388 860	(282 000)	106 860	800 000		693 140	
Minor works	200 000	(32 000)	168 000	300 000		132 000	
Foreign Exchange Fluctuation	411 783		411 783	1 000 000		588 217	
Conference Reserve				200 000		200 000	
Total Specific Reserves:	1 030 643	(314 000)	716 643	2 330 000		1 613 357	
Housing	357 642	15 700	373 342	n/a			
Canteen	90 412	4 200	94 612	n/a			
Total Special Reserves	448 054	19 900	467 954				
Total Reserves	5 093 194	(982 604)	4 110 590	5 330 000	16 000 000	1 687 364	14 312 636

Notes:

1. Table shows the audited SPC's reserves as at 31 December 2013
2. Target levels to be achieved by end of 2015 as approved by CRGA 41 in 2010
3. CRGA 43 endorsed SPC's proposal to proactively increase its reserves to 60-90 days of operation (two to three months). At 100 million total income, this is between 16 and 25 million CFP units.
4. Rounding applies