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Twenty Fifth SPREP Meeting of Officials

Majuro, Marshall Islands
30 September – 2 October 20014

Agenda Item 7.2: SPREP Working Group on Memberships Contributions Report of the Chair

Background

1. At the 2012 SPREP Meeting (SM) the Secretariat tabled a paper on raising the level of membership contributions. The Meeting requested more information on the issue to be provided to the 2013 SM. The Secretariat prepared a paper covering the main issues regarding the level of membership contributions at SPREP and was subsequently requested to develop further options under the guidance of a Working Group.
2. The 2013 SPREP Meeting:
 - **agreed** to set up a Working Group to look at the issue of membership contributions and to consider innovative options including potential incremental increases in membership contributions over a number of years;
 - **directed** the Working Group to produce a recommendation by March 2014; and
 - **welcomed** any contributions that Members choose to make in addition to their annual membership contribution.
3. A meeting of the Working Group was convened in Apia, Samoa on 10 to 11 July to consider the current level of membership contributions and the options available for the SPREP Meeting to consider. The Working Group on Membership Contributions consisted of Australia, Nauru, New Caledonia, New Zealand, Marshall Islands, Samoa, Tokelau and the United States.
4. The Secretariat provided two presentations to the Working Group which identified the key challenges relating to:
 - a. Core funding;
 - b. Relationship between core funding and programmatic funding;
 - c. Membership contributions in a regional context; and
 - d. Scenarios.

Core Funding

5. Core funding which contribute to 17% of the 2013 SPREP budget comes largely from membership contributions, programme fees, interests on bank deposits and a variety of other relatively minor sources of income such as sales of publications, and rent of premises. Core funding covers the Executive Management and Corporate support services. It also includes – operational costs for execution of projects, financial reporting, human resources, information technology, publications and communications, improving systems and capital infrastructure and administrative expenses including salaries, travel and office expenses.

6. Extra-budgetary requests from Members for the sub-regional presence, which has included costs for the establishment of desk officers in RMI and FSM were funded from the Core Funding . Other costs include unforeseen medical evacuations, currency fluctuations, and cost of inflation.

7. The Secretariat have reduced expenditure by deferring critical maintenance work. Examples include the replacement of worn out air conditioning units, IT and capital expenditure. It has also improved efficiency through modernising business practices to minimize overheads. These measures have been undertaken by the Secretariat to avoid passing on the costs to Members in the form of an increase in membership contributions.

Relationship between Core Funding and Programmatic Funding

8. Membership contributions have remained the same since 2003. However the overall budget and project funding has increased significantly over the period 2008 to 2014 from USD\$ 7 million to USD\$ 22 million. The increased level of project management and donor reporting requirements has also expanded over a relatively short period. Many donors use their own reporting guidelines and requirements, which the Secretariat must adhere to.

9. The unchanged level of membership contributions since 2003 means the core has remained static for more than 10 years. The increased level of programme/project funding means there is a widening gap with the core budget. Change in demands as a result of increased services to Members is placing considerable stress on core services support.

10. There have been greater demands placed on the corporate services support for continual improvement or maintain the same level of service given to Members. As a result there are certain activities not funded with very low levels of support for capital infrastructural improvements. Furthermore there are reduced resources to invest sufficiently in human and organizational capacity.

11. The Secretariat is committed to balancing budgets each year and with a static core funding, the reserve funds were allocated to balance the core budgets. The SPREP Reserves have been diminishing through balancing of annual budgets and foreign exchange losses and unforeseen medical evacuation emergencies. The current position is unsustainable as reflected in the 2013 audited financial statements and poses significant risk to SPREP.

Membership Contributions in a Regional Context

12. Since 2003 the CROP agencies of SPC, PIFS and FFA have received membership contribution increases, in some cases on more than one occasion. In regional terms – SPREP is the only exception.

CROP Agency	Year	Increase
Pacific Islands Forum Secretariat	2011	15%
Secretariat of the Pacific Community	2012	CPF0.5million
	2007	10%
Forum Fisheries Authority	2013	2.8%
	2012	11%
SOPAC (pre-merger)	2001	12.6%

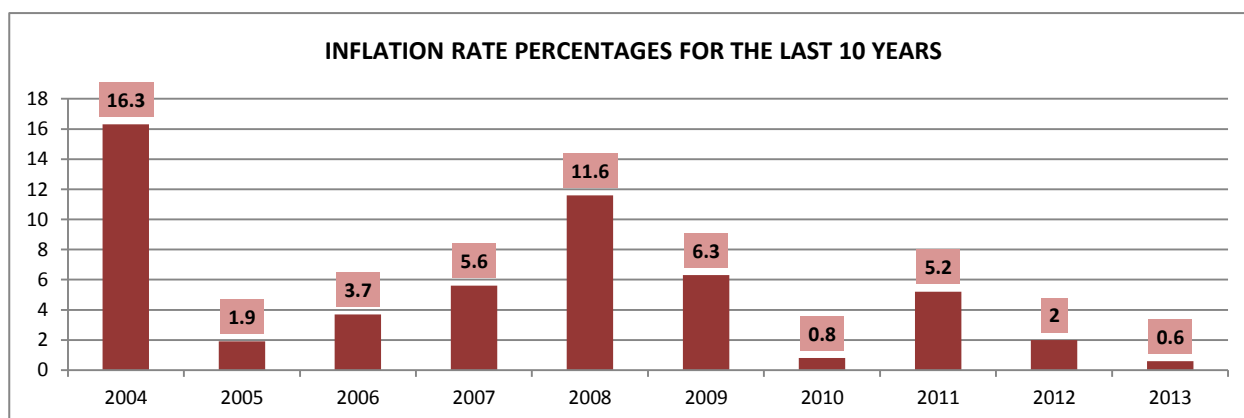
Table 1: Summary of Membership Contribution Increases by CROP Agency
Source: PIFS FOC Sub-Committee Membership Contributions Discussion Paper 23rd September 2009

Scenarios

13. Three options were presented by the Secretariat at the WG meeting in July that factored in key information pertaining to the average income and expenditure from 2009 to 2013 and the average rate of inflation in Samoa from 2003 to 2013.

14. The average income for the Core Budget from 2009 to 2013 was Members Contributions of 35%, Programme Management Fees of 27%, Other Donor Income 14%, Reserves and Other Income of 9% each respectively and Interest of 6%. The average expenditure for the Core Budget from 2009 to 2013 was 57% for Salaries and Staff Costs, Other Administrative Costs of 20%, SPREP meeting costs of 6%, Duty Travel and Electricity of 5% each respectively, Insurance of 4% and Capital Costs of 3%.

15. The average rate of inflation in Samoa over the last ten years demonstrated the peak in 2004 of 16.3% compared to the lowest rate of inflation of 0.6% in 2013. The average rate of inflation over the ten year period is 5.4% compared with the average rate of inflation over the past five years of 3%.



OPTION 1: Current and Proposed Membership Contribution Using Average Inflation Rate for the Last 5 Years

16. The Secretariat presented a schedule of membership contributions increase of 3% to recoup the dollar value lost to inflation from 2009 to 2013, with an average rate of inflation of 3%. The increase in membership contribution in dollar value is USD\$31, 482 per annum,

OPTION 2: Program Support Fees per Donor – 2014 Budget Figures

17. The Secretariat presented a schedule of current donors, contributions and percentages charged for programme support fees. Key donors were recommended for a proposed increase in the percentage charged for programme support to 15% which increased revenue by USD\$71,297. Under the Programme Management Fees Policy (2012) the percentage charged by SPREP is currently a 10% programme management fee to all member donor project contributions, including direct funding to countries; and a 12% programme management fee is charged to all non-member donor project contributions, including direct funding to countries. The Secretariat recognises the challenges of charging set rates which is heavily influenced by donor guidelines.

	2014 Budget	Programme Support	Programme Support	Proposed Increase (15%)
AUXB funded activities	2,306,337	10%	230,634	
Aust (other.)	4,911	10%	491	
NZXB funded activities	1,096,380	10%	109,638	
FINPAC	604,406	12%	72,529	18,132
PACC (UNDP-GEF)	4,843,744	6%	290,625	
PIGGAREP (UNDP-GEF)	265,872	Standard	18,000	
PIGGAREP (SIDS DOCK)	1,026,352	None	0	
PCCR	987,752	10%	98,775	29,632
USAID PROJ.	651,138	7%	45,580	
ICCAI	366,355	10%	36,635	
SPC/EU	149,187	10%	14,919	
MULT	206,139	12%	24,737	6,184
WMO	25,000	12%	3,000	750
NOAA	30,000	10%	3,000	900
UNEP-GEF (GEF-PAS PROJ.)	1,958,564	Standard	45,000	
UNEP (CMS)	85,447	12%	10,254	2,563
UNEP (Other)	155,160	12%	18,619	4,654
UNEP-EC	425,195	7%	29,764	
PACWASTE (EU)	2,252,614	7%	157,683	
PACIOCEA (EU)	192,176	None	0	
Ramsar	109,038	12%	13,085	3,271
GIZ	118,720	12%	14,246	3,561
Parties to the Convention	233,660	Tech. & Sec. support	12,358	
IMO	55,000	12%	\$6,600	1,650
AFD	293,700	10%	\$29,370	
PROG. SUPPORT	866,037	None	0	
Core	2,458,413	None	0	
Total	\$ 21,767,297		\$ 1,285,542	\$ 71,297

OPTION 3: Reduction in Services

18. The Secretariat presented a reduction in services by the Secretariat over a period of three financial years, which reduced the level of staffing and support to infrastructure. The Working Group recognised the phasing out of key positions would not address the issue, as the positions presented had helped improve the overall good governance of the Secretariat. The deferral of maintenance would be a greater cost in the long term. The Working Group directed the Secretariat to review impact of Secretariat services to members based on current and future levels of membership contributions paid.

Amendment Procedure

19. The Working Group recognised the impact of the rate of inflation and the need for an amendment to the SPREP Financial Regulations (attached) to also take into account the average annual rate of inflation in Samoa based on data from the Samoa Bureau of Statistics in helping to determine Membership contributions.

Outcomes

20. The Working Group:

- **agreed** to recommend that the SPREP Meeting consider an amendment to the SPREP Financial Regulations (attached) to also take into account the average annual rate of inflation (over the previous 36 months) in Samoa in determining Membership contributions, as appropriate;
- **noted** that the combined total of Member contributions, including the Secretariat's proposal for an increase of 3% (based on the average of 2009-2013) and the potential increased programme management fees based on implementing the 15% rate (the maximum permitted in accordance with the SPREP Meeting decision of 1992) and implementing a foreign exchange policy would still require drawing on the SPREP reserve in order to balance the budget; and
- **therefore proposes** that the Secretariat undertakes further analysis with a view to rationalising direct services, including their scope and reach, delivered to Members taking into account budget approach to determine priorities based on resources provided, best current practices and the outcomes of the current Mid-term Review of the Strategic Plan 2011-2015 and the ICR and report back no later than the 2015 SPREP Meeting.

Recommendation

21. The SPREP Meeting is invited to:

- **approve** the proposed amendment to Regulation 11 of the SPREP Financial Regulations; and
- **direct** the Secretariat to undertake further analysis with a view to rationalising direct services delivered to Members and report back no later than the 2015 SPREP Meeting.