



SECRETARIAT OF THE PACIFIC COMMUNITY

SEVENTH CONFERENCE OF THE PACIFIC COMMUNITY
(Noumea, New Caledonia, 7–8 November 2011)

Agenda ítem 2	Director-General's 2011 Overview Report
Note	The working paper for this agenda item is CRGA 41 Paper 2 (attached)



SECRETARIAT OF THE PACIFIC COMMUNITY

FORTY FIRST MEETING OF THE COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS (Noumea, New Caledonia, 1-4 November 2011)

AGENDA ITEM 2 - DIRECTOR-GENERAL'S 2011 OVERVIEW REPORT

(Presented by the Secretariat)

SUMMARY

1. In this brief overview, we report on the status of implementation of the key decisions taken by CRGA 40 in 2010, milestones for 2011 set out in the Director-General's report to CRGA 40 and updates on the first year of full implementation of the reform of the Regional Institutional Framework (RIF). We also report on highlights and challenges in 2011 and present milestones for 2012.
2. This report is not exhaustive and needs to be read with other CRGA papers, in particular Papers 4.1 – 4.8 (divisional reports), 8.1 (operations and management), 9.3 (salary market data review) and 10.1–10.6 (financial matters). Where important initiatives are mentioned, reference is made to the specific agenda items that deal with them.
3. The report is in two parts. Part 1 provides a general overview of the organisation's work in 2011 including highlights and challenges, and Part 2 is a forward-looking perspective on SPC's role in a changing regional environment.
4. The following decision points are directed to CRGA's attention (noting that several of these points will be considered and resolved in the course of the meeting).

RECOMMENDATIONS

5. CRGA is invited to:
 - i. Consider the Director General's report, and in particular:
 - a. note progress in implementing the key decisions of CRGA 40, as shown in Annex 2;
 - b. note progress in implementing the major milestones for 2011, as shown in Annex 3;
 - c. note examples of achievements in 2011 against the objectives of the corporate plan, as shown in Annex 4;
 - ii. Consider the proposed organisational structure for 2012 (Annex 5) noting that it will also be considered by the independent review team;
 - iii. endorse the commissioning of an independent review of SPC and consider, amend and approve the draft terms of reference for the review (Annex 6);
 - iv. Commend SPC's achievement in coordinating and publishing the major research study, *Vulnerability of Tropical Pacific Fisheries and Aquaculture to Climate Change*;

- v. With respect to managing grants for regional health initiatives:
 - a. note SPC's intention to discontinue acting as Principal Recipient for any new Global Fund funding rounds for grants, unless CRGA wishes SPC to continue the role at the request of participating countries;
 - b. note further that SPC will continue to manage regional grants from other donors addressing specific areas such as non-communicable diseases, and the response fund for HIV/AIDS.
 - vi. In relation to salaries for internationally recruited staff, consider and approve the secretariat's recommendation not to implement the CROP market increases for 2012 (CRGA Paper 9.3);
 - vii. Note SPC's response to the reduction in programme funding in 2011 and provide guidance to the secretariat on addressing regional priorities where services have had to be curtailed;
 - viii. Note that Pacific Islanders now make up 54% of all internationally recruited staff and 69% of all SPC staff;
 - ix. Note the results of the staff survey, the response to the survey results, and the commitment by the secretariat to continue the survey;
 - x. Note the secretariat's serious concern at the increasing level of arrears in some members' assessed contributions and consider this matter under CRGA Paper 10.1;
 - xi. Note the following key initiatives planned for the next 12 months:
 - a. Commissioning of an independent external review of SPC;
 - b. Developing a new SPC corporate plan for the period 2013–2017;
 - c. Finalising the long-term sustainable financing strategy to support implementation of the corporate plan;
 - d. Implementing further improvements to SPC's budget presentation and work programme for 2013;
 - e. Completing and implementing a new corporate-wide monitoring and evaluation framework;
 - f. Consolidating the optimal governance arrangements and organisational structure to enhance service delivery to members.
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DIRECTOR-GENERAL'S 2011 OVERVIEW REPORT

PREAMBLE

1. Warm greetings from the secretariat of your organisation, the Secretariat of the Pacific Community, and welcome to the 41st meeting of CRGA.
2. My overview report to CRGA 41 is slightly shorter than usual. Specific aspects that previously were covered in the report are now described more concisely in Annexes 2–6, while Annex 1 includes my circular to members of 14 August 2011. The 'SPC updates' provided in the circular are still current and would normally make up a substantive part of this report.
3. The section on divisional highlights is now covered in the division reports rather than here, except where reference is made to the impacts of certain decisions or actions on programmes and therefore on service delivery to members. CRGA Papers 4.1–4.8 present all the divisional highlights for 2011 and their work programmes and budgets for 2012 and I commend them to you. For the first time, we also provide a consolidated report on operations and management covering corporate services and programme support services (CRGA Paper 8.1).
4. The following annexes support this overview report:

Annex 1	Director-General's circular letter to members – 14 August 2011
Annex 2	Progress on implementation of key decisions of the 40 th session of CRGA
Annex 3	Progress on implementation of major milestones for 2011, as presented in the 2010 overview report
Annex 4	Examples of achievements against corporate plan objectives
Annex 5	Proposed SPC organisational structure (2012)
Annex 6	Draft terms of reference for the independent review of the Secretariat of the Pacific Community

5. The report is in two parts, with Part 1 providing a general overview and Part 2 looking ahead to SPC's role in a changing regional environment.

PART 1: GENERAL OVERVIEW

A. Implementing the decisions of CRGA 40

6. We have made good progress this year in implementing the major decisions taken by CRGA 40. Annex 2 provides the details.
7. Of particular note are the commissioning of an external review of SPC's corporate and programme support services, which is discussed under agenda item 8.2, and the deferment of work on the long-term sustainable financing strategy for SPC pending the completion of the independent external review of SPC and development of a new corporate plan for the period 2013 – 2017.
8. As indicated in my circular of 14 August (Annex 1), I had hoped, prior to CRGA 41, to invite a team of sector specialists as a reference group to independently consider and assess the core services that were identified in the consultancy undertaken by KVAConsult in 2010 and the analysis conducted by the secretariat, and to then propose a final list of the core services that SPC should

focus on in the long term. Unfortunately, not all members of the reference group were available at the same time and they will now most likely convene in the week of 21 November 2011. In this case, we expect the analysis will be completed by the end of November. The output of this work (a report by the reference group) will be sent to members for your consideration. The report will also be one of the main resource documents for the independent external review of SPC.

B. 2010 Annual Reports

9. We are pleased to table SPC's Annual Report for 2010 for your consideration. Part 1 of the Annual Report provides an overview of SPC's work in 2010. Part 2 presents the annual accounts for financial year 2010. The annual report includes SPBEA (Secretariat of the Pacific Board for Educational Assessment) for the first time. I am pleased to note that this is the 15th year in succession that SPC has received a clean audit report.

C. Implementing the revised Regional Institutional Framework (RIF)

10. As reported in my circular (14 August) to members, we began the year on a good note with the successful implementation of the integration between SOPAC (Pacific Islands Applied Geoscience Commission) and SPC. SOPAC became SPC's sixth technical division as the Applied Geoscience and Technology (SOPAC) Division. The acronym 'SOPAC' has thus been retained. SPBEA (South Pacific Board for Educational Assessment) became part of the new Education, Training and Human Development Division (ETHDD). The 'SPBEA' acronym has also been retained, now standing for the 'Secretariat for the Pacific Board for Educational Assessment'. After five long years of consultation, it was good to finally bring to an end the most complex and largest institutional reform undertaken in our region.
11. Dr Russell Howorth and I signed the transfer of assets from SOPAC to SPC at the first meeting of Pacific Heads of Geosciences in Nadi on 14 October 2011. With the imminent closure of one final account pending a positive response from the donor, and the conduct of the final audit of 'SOPAC the Commission', its formal closure will be achieved. We anticipate that this closure will occur either by the end of 2011 or early in 2012, depending on completion of the audit.
12. In relation to the status of SPBEA, we anticipate that members' official withdrawal from the agreement on the 'Establishment of the South Pacific Board for Educational Assessment (SPBEA)', which was deposited with the Government of Fiji, will become effective on 4 February 2012. This is the anniversary of the date on which the original agreement was deposited with the government.
13. The major task still ahead of us is to further consolidate the RIF reform. This will take some time. We deal with staff on contract and the single most important success factor at the time of integration was to respect staff contracts. As part of this consolidation, we have commissioned a review of corporate and programme support services and we are about to conclude initial work on determining what should be the long-term core services for SPC. The result of this work will flow into the independent review of SPC. The outcome of these strategic analyses will inform the long-term core business of SPC, the new corporate plan and financing strategy, and importantly the establishment of the optimum governance arrangements and structure to ensure the most effective service delivery to members.

D. Major policy initiatives / Decisions implemented or initiated in 2011

14. A key role for the Director-General in maintaining a vibrant policy agenda for SPC is to continually analyse the organisation's work, and its internal and external environment, to ensure it remains focused on and relevant to the needs and priorities of members.

15. As highlighted in my circular (Annex 1), the RIF reform has presented SPC with a rare opportunity to take a strategic positioning initiative that will define its role as the principal regional technical organisation. The following key policy initiatives, initiated in 2011, will provide the foundation for SPC's long-term future in this role:
 - a. *Commissioning of the independent review of SPC* – The independent review will among other things confirm SPC's long-term core business, discuss how these services can be financed, how they can optimally be delivered and how their impacts can be measured.
 - b. *Developing a new SPC corporate plan for the period 2013–2017* – The outcome of the independent review will influence the vision, goals and objectives of the new corporate plan to be developed for the period 2013–2017.
 - c. *Finalising the long-term financing strategy* – The financing strategy will provide greater certainty of funding to support the delivery of SPC's agreed core services through more sustainable funding modalities.
 - d. *Strengthening SPC's performance framework for measuring the effectiveness of its work programme* – The results, outputs and impacts of SPC regional services need to be measured as part of assessing their effectiveness at national level and making adjustments/changes where necessary. An organisation-wide monitoring and evaluation framework is being developed with implementation to begin in 2012.

16. ***Exit strategy as Principal Recipient (PR) for future grants under the Global Fund to fight AIDS, Tuberculosis and Malaria*** – We are seriously reviewing our role as PR for future Global Fund grants, wholly as a result of changes in Global Fund rules, procedures and processes. These changes include the PR being financially liable for non-compliance or shortfalls by implementing partners, which is extremely problematic in a multi-country programme such as the Pacific programme we are managing. The risk to SPC in the event that implementers do not comply with implementing, monitoring and reporting responsibilities is too high for us to continue to shoulder. We have communicated our intention to the Global Fund and to member countries. Beneficiary member countries want SPC to continue in this role. SPC's position is based entirely on the changes to Global Fund rules and the unacceptably high risk SPC will be exposed to. This decision may disadvantage some countries that are not able to access Global Fund resources as directly. It is a tough call but one that we have to make. CRGA may however wish to state its position on this, and if it prefers SPC to continue to support members through the PR role then we can further explore the situation. Current Global Fund grants will finish progressively between June 2013 and June 2015. Of course, SPC's exit will also mean that between 2013 and 2015, the third largest contributor to SPC's budget may no longer be a major source of funding for SPC. On a related matter, some members and donor partners are concerned that SPC may also reduce its role in managing some existing health grants at the regional level. They see a need for this role to remain with SPC until members develop the capacity to manage such grants under bilateral arrangements. Apart from Global Fund grants where we need CRGA's decision on whether or not we should continue as PR, SPC will continue to be available to manage grants for regional health initiatives as requested by members until they have their own capacity in place to manage these under bilateral programmes.

17. ***Non-implementation of the CROP recommended salary increases for internationally recruited positions*** – CROP salaries are pegged to the average of movements in three reference markets – the Australian and New Zealand public sector markets and the Fiji private and public sector markets. Movements in these markets are analysed annually, with the average of the movements recommended for implementation by participating CROP agencies. The 2011 assessment conducted by Strategic Pay (NZ) recommended an increase in salaries for internationally recruited staff ranging from 7.8% to 13.1%. CROP heads agreed in principle to the recommendation being presented to their respective governing bodies with the decision on salary increases left to the CEO and governing body of each agency. The Forum Officials Committee approved the implementation of 50% of the recommended increases for the Pacific Islands Forum Secretariat (PIFS). Having considered the financial implications of implementing the increases – 900,000 CFP units for a 50%

implementation and 1.8 million CFP units for full implementation, the secretariat recommends to CRGA that SPC does not implement the recommended increases in 2012. The secretariat accepts that in taking this action, SPC salaries will fall behind those of the other participating CROP agencies and if there are further increases resulting from the 2012 market analysis, SPC will fall even further behind. However, our business case at this point is that we do not have the budget to accommodate the recommended increases either in part or whole for 2012.

18. *Strategic publications* – We have produced a number of strategic publications and plan to produce others as follows:
 - ‘*Vulnerability of Tropical Pacific Fisheries and Aquaculture to Climate Change*’ publication – This major piece of scientific research, which brings together the work of almost 90 world-renowned scientists from 36 institutions focuses specifically on the impact of climate change on fisheries, aquaculture and marine ecosystems in the Pacific Islands region. The publication will be launched at the 7th Conference of the Pacific Community in Noumea on 7 November 2011. The publication will provide a ‘first of its kind’ baseline for future assessments, and knowledge that will inform policy-making on the development potential in the region’s fisheries sector in years to come.
 - *SPC and the Pacific Plan, Volume 3, July 2010 – June 2011* – This popular publication describes in detail SPC’s work across 20 sectors and how it contributes to achieving Pacific Plan priorities.

E. Implementing the three pillars of the Corporate Plan 2007–2012

19. ***Pillar 1 – Increased focus on member priorities*** This pillar dominated our focus in 2011. This year’s policy agenda (CRGA Papers 3.1 – 3.3) and work programme agenda (CRGA Papers 4.1 – 4.8) embody the secretariat’s emphasis on increasing the value of our services to members. In particular, member PICTs are using the joint country strategy process to ensure SPC’s work addresses national priorities.
20. SPC’s decentralised offices in Pohnpei, Federated States of Micronesia, and Honiara, Solomon Islands, continue to operate well in their role of moving SPC’s services ‘closer to people’. The Government of FSM has been extremely helpful in providing office accommodation to SPC, with three whole floors of an office block plus an adjacent building now occupied by the North Pacific office. The country office in Honiara continues to support SPC activities in a range of sectors at national level. A major challenge faced by the decentralised offices is the length of time taken to receive decisions on matters of importance that impact on their own decision-making process and implementation of activities. In 2012 we will look at ways to enhance the capacity of decentralised offices for decision-making, where appropriate, at the local level, including through a mix of dedicated service support and increased delegation.
21. Annex 4 lists examples of achievements under this pillar.
22. ***Pillar 2 – Strategic engagement at national, regional and international levels*** 2011 has been an excellent year for fostering and formalising partnerships with new and existing partners. Annex 4 to this paper lists examples of other achievements under this pillar. Highlights include the following.
23. CROP Heads, comprising the CEOs of the nine CROP agencies, has become an important informal body supporting our members and our leaders. Examples of important initiatives by what can be considered the region’s highest-level technical advisory body include the setting up of a ‘CROP executive subcommittee on climate change’ co-chaired by the PIFS Secretary General and the Director of the Secretariat of the Pacific Environment Programme (SPREP). The subcommittee will work to ensure CROP agencies take a co-ordinated approach to supporting the region on climate

change and the appointment of the PIFS Secretary General as the Pacific region's Oceans' Commissioner.

24. SPC signed formal memorandums of understanding (MOU) with Australian Volunteers International (AVI), Australian Centre for International Agricultural Research (ACIAR), International Hydrographic Organisation (IHO), Pacific Aviation Security Office (PASO), Secretariat of the Pacific Regional Environment Programme (SPREP) and the University of the South Pacific. We expect to sign MOU with the Pacific Power Association (PPA) and South Pacific Tourism Organisation (SPTO) during CRGA 41.
25. At the international level, we have continued to strengthen important partnerships with the European Union (EU) and the Global Fund to Fight AIDS, Tuberculosis and Malaria, which are the second and third largest funders of SPC respectively after Australia in 2011 and will remain so in 2012. The Western and Central Pacific Fisheries Commission has also become an important funder of SPC's services. Annexes 2-1, 2-2, 4-1 and 4-2 of the 'green book' (2012 budget) provide more information on all partners.
26. ***Pillar 3 – Strategic positioning of the organisation*** Appropriate positioning of the organisation is crucial to making the most of opportunities to enhance service delivery to members. We have taken some important steps under this pillar in 2011. Annex 4 provides more details. In addition to the policy initiatives listed under paragraph 14 above, other highlights in 2011 include the following:
 - a. *Commissioning of the review of SPC's corporate and programme support services* – CRGA Paper 8.2 provides more details.
 - b. *Updating of the Tahiti Nui Declaration* – This updates the organisation's operational policies in line with governing body decisions since the last update in 2005. CRGA Paper 7.1 provides more details.
 - c. *Internal audit charter, CRGA audit committee charter* – This mechanism has been established to reinforce transparency and accountability and assure members and partners that their confidence in the running and management of the organisation is justified. CRGA Paper 10.6 provides more details.
 - d. *Strategic Engagement, Policy and Planning Facility* – This facility is fully operational and has already made significant impacts both within and outside the organisation. CRGA Paper 4.8 provides more details.

F. Response to reduction in programme funding in 2011

27. As reported in my August circular to members, the reduction in our programme funding in 2011 has impacted negatively on SPC's ability to deliver on a number of members' agreed priorities that were approved as part of our 2011 work programme by CRGA 40 last year. The biggest challenge for SPC has been to decide which priorities for which members should be put on hold or cut in the face of the new funding reality.
28. The reduction in programme funding was mitigated by relatively favourable exchange rates for both the New Zealand and Australian dollars. Nevertheless, a significant decrease of approximately 1.7 million CPF units in expenditure from financial year 2011 was required. This was achieved through a combination of some reduction in operational funding for technical assistance and training, and freezing of some 19 positions that were directly supported through NZ programme funds (see Table 1 below), resulting in significant gaps in SPC's capacity to deliver high-quality services across the range of its core business areas. An immediate impact for this meeting was the decision to change the venue for CRGA 41 and the 7th Conference from Marshall Islands to our headquarters, with the savings also assisting the secretariat to cope with the funding reduction.

29. New Zealand's decision to reduce its programme funding to SPC compared with 2010 was made on the premise that SPC has not been sufficiently focused on regional priorities, nor demonstrated sufficient value for the money that New Zealand has provided. As incumbent Director-General I take full responsibility for these perceived failures. We have committed to improving the quality of our reporting to fully demonstrate the value-adding of SPC programmes at national level for our members, and how we stretch the value of our development partner dollars. This involves doing things differently, rather than doing different things. I however very much look forward to your feedback and guidance at this meeting in relation to which areas of SPC activities are not priorities for you as members, which areas we should continue to act in, and which areas we should move out of altogether. All the priorities that SPC currently addresses are directed either by CRGA and Conference or by Forum Leaders through the Pacific Plan or other Forum decisions. The implementation of the RIF reform is one example.

Table 1: SPC positions frozen as a result of the reduction in programme funding for 2011

Budget chapter	Positions frozen	Implications
I - Director-General and Deputy Directors-General	<ul style="list-style-type: none"> Corporate communications adviser 	<ul style="list-style-type: none"> Impacts on SPC's capacity in coordinating the compilation and dissemination of information about its work, results and outcomes to members and partners
II - SOPAC	<ul style="list-style-type: none"> Water engineer/water demand management officer 	<ul style="list-style-type: none"> Severe reduction in SOPAC division's capacity to assist members in water solutions
III - Economic Development	<ul style="list-style-type: none"> Energy adviser (transport) and Energy technical assistant Maritime legal adviser 	<ul style="list-style-type: none"> Reduces capacity of EDD to focus on energy efficiency in the transport sector, the single largest user of fossil fuel in the region Reduces capacity for research and compilation of information to support energy advisers and members No internal capacity now to provide legal maritime advice and support to members in this highly regulated sector
IV - Education, Training and Human Development	<ul style="list-style-type: none"> Human development adviser (youth) 	<ul style="list-style-type: none"> Capacity of ETHDD to help address youth priorities at the regional level severely reduced
V - Fisheries, Aquaculture and Marine Ecosystems	<ul style="list-style-type: none"> Stock assessment scientist (national advice) Fishery database/ analyst (national support) Community fisheries management officer – becomes vacant at the end of the year. Aquaculture officer (freshwater) – becomes vacant at the end of the year. Fisheries development programme assistant 	<ul style="list-style-type: none"> Many national fisheries administrations do not have local capacity to undertake stock assessment or translate stock assessment data into information that could facilitate policy or decision-making. The two positions frozen will further undermine national decision-making capacities. This position will be frozen when it becomes vacant unless new funds can be mobilised This position will be frozen when it becomes vacant unless new funds can be mobilised Support to fisheries development programme reduced
VI - Land Resources	<ul style="list-style-type: none"> Land management policy officer 	<ul style="list-style-type: none"> Support to members in land management policy advice reduced

	<ul style="list-style-type: none"> • Animal health and production officer • Assistant entomology officer • Participatory weed advisor • Crop production coordinator • Information and communication extension coordinator 	<ul style="list-style-type: none"> • Capacity to provide a veterinary advice service, in particular to SIS members, reduced • Capacity in fruitfly control advisory services diminished • Capacity in weed management advisory services diminished • Capacity in agricultural production / horticulture advisory services reduced • Capacity to produce and disseminate targeted extension material on agriculture diminished
VII - Public Health	<ul style="list-style-type: none"> • Tuberculosis adviser • Physical activity adviser (now part-time) 	<ul style="list-style-type: none"> • With WHO funding also coming to an end, the region will likely not have capacity in this area • NCD management capacity reduced
Total	19 positions (17 internationally recruited)	

G Operations and Management Directorate

30. The Operations and Management Directorate (OMD) was established in January 2011 as part of the revision of SPC's organisational structure. It comprises the Secretariat's:
- Corporate Services – administration (including travel, procurement, registry and property management), human resources and finance; and
 - Programme Support Services – ICT, library, publications and interpretation and translation.
31. CRGA Paper 8.1 provides more details on the work of OMD in 2011 and its planned work programme and budget for 2012. Some highlights in 2011 include the following:
32. *Pacific Islander employment and gender balance* – Concerns have been expressed over the years about the proportion of Pacific Islanders employed in regional organisations. As of 15 October 2011, out of a total of 547 people employed by SPC in all of its locations, 69% (379) are Pacific Islanders. Forty-seven per cent (254) of all staff are recruited internationally, of which 54% (136) are Pacific Islanders and 36% (92) are women. Of the staff recruited locally, 60% (177) are women. The overall gender ratio for all staff is 49% (269) women and 51% (278) men. As these figures show, more than half of SPC's internationally recruited staff members are Pacific Islanders, and the overall gender distribution of the staff is nearly equal. It is important to note that the number of women in the internationally recruited category has risen from previous years, and we are working hard on increasing the percentage further, noting the principle of appointments based on merit.
33. *Soliciting staff views* – We implemented a staff survey for the first time this year to gauge staff views on a range of areas including communication within the organisation, staff perceptions of their roles, workload, policies and procedures, interaction between programmes, staff working relationships with managers and the SPC working environment. The first survey did not include the SOPAC division; however, the SOPAC division implemented a survey of divisional staff later in the year. Overall, the responses from staff were positive. Areas for improvement included:
- the need to improve communication generally in the organisation as well as across programmes and projects;
 - concerns about excessively high work load and stress levels associated with the fast pace of change driven by the RIF reform process;
 - the need to improve staff induction processes, including pre-arrival information to prepare new staff on what to expect on arrival;
 - concern about the lack of professional development opportunities;

- the need for joint planning between programmes;
 - the need to improve information and knowledge management to ensure staff can readily access relevant information, including organisational policies and procedures;
 - concerns by SOPAC staff relating to coping with new systems and procedures in a new organisation (though the survey showed that SOPAC staff were generally satisfied with the post-integration support to staff).
34. *Responses to the staff survey* – Many of the areas for improvement have been incrementally addressed during the year with introduction of a new human resource information system, which will address several of the areas of concern for Corporate Services by automating many of the manual paperwork processes; implementation of the new document management system that will improve document storage and retrieval; introduction of a new staff induction programme that includes an ‘onboarding’ component for those who are new to the organisation; review of the organisation’s staff rules, policies and procedures with the aim of getting the best from the pre-RIF SPC, SOPAC and SPBEA arrangements; and an increase in staff email box sizes, which unlocked a communication bottleneck. A follow-up staff survey is planned for November 2011.
35. *2010 budget* – As alluded to earlier, the reduction by New Zealand of its programme funding severely affected our ability to deliver the total work programme that was approved by CRGA 40 in 2010. Certain services had to be curtailed as the secretariat reprioritised work programmes. All of the services that had to be curtailed related to priorities identified by members through the joint country strategy planning processes and other prioritisation mechanisms. The reduction in programme funding was counterbalanced by an increase in project funds. However, project funds cannot be used to support services that were previously supported by programme funds, so the reduction in services previously supported through programme funds remained throughout 2011 and in many cases will carry into 2012. Some of the priority services that are crucial for island members but had to be curtailed as a result of the reduction in programme funding have been built into specific projects, and SPC has secured funding for some of these projects for 2012 and beyond. CRGA Paper 10.5 and the accompanying 2012 budget (green book) provide more details on the actual budget movements, including the 2011 approved and revised budgets, the 2012 budget and the projected 2013 budget.
36. *SPC funding by source of funds 2011–2013* – Table 2 provides a summary of the sources of funds for SPC for the period 2011–2013. In 2012, 25.7% of the total budget of 97,596,600 CFP units is recurrent income (25,128,400 CFP units; 14,718,700 CFP units [15.1%] from core income and 10,409,400 CFP units [10.6%] from programme income). Members’ assessed contributions account for 64.9% of the core income (9,481,329 CFP units). The four metropolitan members provide 87.2% of member assessed contributions (8,261,367 CFP units), and the 22 member PICTs contribute 12.8% (1,219,962 CFP units).

Table 2. Combined 2011 (revised)–2013 SPC budget (with SPBEA & SOPAC budgets incorporated), CFP units

Source of funding	2011 (rev.)	%	2012	%	2013	%
Australia (incl. ACIAR)	34,005,335	35.0%	34,295,335	35.1%	23,247,535	32.2%
European Union	23,883,900	24.6%	27,410,100	28.1%	22,091,000	30.6%
Global Fund	12,274,400	12.7%	11,775,000	12.1%	6,314,000	8.8%
New Zealand	5,964,647	6.1%	4,970,747	5.1%	4,670,747	6.5%
France	2,960,920	3.1%	2,913,720	3.0%	2,820,720	3.9%
Global Environment Facility	2,666,600	2.7%	715,500	0.7%	715,500	1.0%
United States (incl. CDC)	1,712,865	1.8%	3,397,965	3.5%	2,479,165	3.4%
22 PICTs	1,710,262	1.8%	1,507,562	1.5%	1,457,562	2.0%
WCPFC ('Tuna Commission')	1,017,000	1.0%	1,084,700	1.1%	621,200	0.9%
GIZ	148,800	0.2%	126,500	0.1%	91,500	0.1%
UNFPA	133,600	0.1%	151,700	0.2%	-	
Asian Development Bank	-		-		-	
Other development partners/Other income	10,552,311	10.9%	9,247,771	9.5%	7,619,271	10.6%
Total	97,030,640	100%	97,596,600	100%	72,128,200	100%

37. Metropolitan members and development partners are contributing 98.5% of the total funds for 2012, with 1.5% coming from the 22 member PICTs. Eighty-eight per cent (88%) of SPC's total funding for 2012 comes from seven funding sources: Australia, European Union, Global Fund, New Zealand, France, United States and Western and Central Pacific Fisheries Commission (WCPFC – 'Tuna Commission').
38. *Audit report for FY 2010* – The Secretariat has received a clean audit report for our 2010 accounts for the 15th year in a row. CRGA Paper 10.2 provides more details, including the auditor's management letter and the Secretariat's response.
39. *Arrears in assessed contributions* – Arrears continue to be a problem. At the time of writing, only eight members (Australia, Cook Islands, FSM, France, New Zealand, Pitcairn Islands, Samoa and Wallis and Futuna) have paid all their assessed contributions, with FSM having a positive balance going into 2012. The total amount owed in current assessed contributions and arrears is 2,561,086 CFP units which is 15.5% (397,439 CFP units) higher than at CRGA 40 last year. Ten members (American Samoa, Guam, Kiribati, Marshall Islands, Nauru, Northern Mariana Islands, Palau, PNG, United States and Vanuatu) account for 95% of this amount (2,430,343 CFP units) and a further eight members (Fiji, French Polynesia, New Caledonia, Niue, Solomon Islands, Tokelau, Tonga, Tuvalu) account for 5% (130,743 CFP units) of the outstanding contributions.
40. A request from Nauru for consideration of a write-off of part of its arrears is tabled in CRGA Paper 10.1 for CRGA's consideration. This raises a larger policy question relating to the treatment of arrears generally. The upcoming independent review of SPC will provide an opportunity to explore this matter as an integral part of the overall financing mechanism for SPC and the issue of members' commitment to ownership of their organisation.

H Executive Management and organisational structure

41. **Executive team** – The SPC management team comprises the three principal officers (Director-General, and two Deputy Directors-General); the directors of the six technical divisions; the director and deputy director (head of finance) of Corporate Services; the acting head of the Strategic Engagement, Policy and Planning Facility; the manager of the Statistics for Development Programme; the manager of the North Pacific regional office in Pohnpei; and the coordinator of the Solomon Islands Country Office.
42. Two executive positions will be advertised for recruitment in November after the Conference – the Director of the Public Health Division and Director of the Land Resources Division. Given the heavy work load involved in post-RIF consolidation of the integration between SOPAC and SPC, and the important need for the Director-General to focus on the bigger picture, Dr Russell Howorth's contract has been extended for a further and final year to lead and manage the work programme of the SOPAC division. The position of Director of the SOPAC division will be advertised in the second half of 2012 with a view to having the new appointment onboard early in 2013. The Deputy Director-General position in Fiji comes up for a three-year consideration in April 2012 and the Noumea-based Deputy Director-General position will be advertised under the six-year rule in mid 2012.
43. **SPC organisational structure** – We put in place the organisational structure that was endorsed by the 6th Conference of the Pacific Community. Now, with the completion of the RIF reform we are reviewing the type of organisational structure that best suits the leadership and management of a large technical agency with multiple locations.
44. Under the current structure, the Director-General has 12 direct reports with some areas requiring more attention than others. This involves the Director-General in a direct management oversight role in some instances while at the same time requiring the position to deal with the wider CEO responsibilities of leading the organisation.
45. The RIF reform has resulted in SPC now having two large offices – its headquarters in Noumea and the regional office in Suva. The Director-General and one Deputy Director-General are based at headquarters, and one Deputy Director-General is based in Suva. Four of the technical divisions are based in Fiji (EDD, ETHDD, LRD and SOPAC) and two at headquarters (MRD and PHD). In addition, the Statistics for Development Programme is managed from headquarters. It is anticipated that the Director for SEPPF when recruited will also be based at headquarters with the Director-General. The manager of the North Pacific regional office is based in Pohnpei, and the coordinator of the Solomon Islands country office is based in Honiara.
46. Annex 5 shows the proposed structure for 2012. Its main features are as follows:
 - a. An third Deputy Director-General will be appointed, with two deputies to focus on technical services and one on operations and management. The third deputy position will only be implemented, however, if and when resources become available.
 - b. The proposed structure will reduce the number of direct reports to the Director-General to four instead of the current 12. In the interim before the additional deputy position is in place, the Director-General will have six direct reports, which is still a substantial reduction compared to the present situation.
 - c. Under the proposed structure, the Suva-based Deputy Director-General position will take on a direct leadership and management role for the four technical divisions based in Fiji in addition to the representational role with all Suva-based missions and partners. This change will require new terms of reference for the Suva Deputy Director-General position and, in due course, advertisement of the position based on the new TOR.

- d. The Suva Deputy Director-General currently manages the Education, Training and Human Development Division (ETHDD). For the proposed structure to work efficiently in Fiji, a dedicated director for ETHDD will need to be appointed to enable the Deputy Director-General to focus on providing overall support to the directors of all four Suva-based divisions. The position of ETHDD director is currently unfunded.
- e. This structure requires the Director-General to delegate total authority to the Deputy Directors-General to deal with and make decisions on matters relating to areas under their jurisdiction on his or her behalf. The level of delegation to directors will also need to be increased to ensure they can deal with and make decisions on most matters under their jurisdiction. Increasing the level of delegation will help avoid decision-making bottlenecks and allow enhanced attention to accountability and responsibility.
- f. The proposed structure will be submitted to the independent review team for further analysis.

PART 2: LOOKING AHEAD – SPC’S ROLE IN A CHANGING REGIONAL ENVIRONMENT

47. Following the RIF reform, which has expanded the role and scope of SPC’s work, SPC has a tremendous opportunity to clearly define its core business and consolidate its role as the region’s principal regional technical organisation. It is critical that SPC focus on areas where it will make the optimal contribution to the national development of its island members. To do this it is important that all SPC members, in particular island members, have an opportunity to review SPC’s work and (1) revalidate areas in which SPC should continue to operate, (2) identify areas that SPC should leave to other players regionally or nationally, and (3) consider their individual ownership of and commitment to the organisation.
48. The secretariat proposes to implement the following key initiatives over the next 12 months to help provide a firm foundation for SPC and its role in Pacific regional development in the future:
 - a. commissioning an independent external review of SPC;
 - b. developing a new SPC corporate plan for the period 2013–2017;
 - c. finalising the long-term sustainable financing strategy to support implementation of the corporate plan;
 - d. implementing further improvements in the presentation of SPC’s 2013 budget and work programme;
 - e. developing a new organisation-wide monitoring and evaluation framework; and
 - f. consolidating optimal governance arrangements and organisational structure to enhance delivery of services to members.
49. The draft terms of reference for the independent review are attached to this report (Annex 6) for CRGA’s consideration, amendment (as appropriate) and subsequent approval. It is anticipated that the review will:
 - a. assess the effectiveness, efficiency and appropriateness of existing SPC services to members, including recommending which sectors and services SPC should focus on and which areas it could or should move out of;
 - b. recommend which sectors and services should constitute the focus for SPC’s core services in the future;
 - c. explore funding models that would support the long-term core services to be delivered by SPC;
 - d. recommend an appropriate performance framework for monitoring and evaluation to measure results; and

- e. recommend optimal governance arrangements and organisational structure for most effective delivery of regional services.
- 50. We anticipate that the review will be conducted between November 2011 and April 2012, with the final report to be submitted to the Secretariat by the end of April 2012.
- 51. Follow-up actions on the key initiatives listed in (b) – (f) of paragraph 48 will occur following the completion of the independent review. The new corporate plan and the long-term sustainable financing strategy are expected to be presented to CRGA 42 in 2012 for its consideration.
- 52. In addition to these major initiatives, SPC will continue to pursue efficiencies in its operations both in terms of systems as well as human resources, including responding appropriately to the findings and recommendations of the review of corporate and programme support services.

Summary and conclusion

- 53. This has been a very challenging but productive year for SPC. The work involved in implementing the decisions on RIF was time consuming, politically challenging, and exhausting. The reduction of our programme funding just a few months into the full implementation of the RIF reform presented us with considerable additional challenges in ensuring we can continue to deliver services that are important for members.
- 54. To conclude the chapter on RIF, the final closure of SOPAC the Commission is anticipated toward the end of 2011 or in early 2012 after one remaining bank account is closed and the final audit is commissioned. When the audit result is cleared, the closure can be declared. In relation to the SPBEA Constitution, we anticipate the final closure to occur on 4 February 2012, the anniversary of the date on which the original agreement to establish SPBEA was deposited with the government of Fiji.
- 55. In terms of delivery of services, 2011 has been a rewarding year. As you will see and hear from our programmes, we have continued to step up our efforts despite the setbacks we faced. The year has also been a rewarding one for our relationships with a number of major development partners, and one in which we have formalised relationships through the signing of seven formal MOU.
- 56. With the major initiatives for 2012 identified above, next year will be even more challenging for SPC. In my view, 2012 is key in terms of laying the foundations that will ensure attainment of the intended objectives of the RIF reform over time. I cannot overemphasise the importance of achieving the milestones identified in this report for 2012. If we do not achieve the identified milestones we will have lost the momentum we have gained, and achieving the full intent of the RIF reform – more focused, effective and better coordinated delivery of high-quality service to members – will be all the more difficult.
- 57. To our members – we thank you all for your patience and most importantly for your confidence that SPC can assist with your development processes and support you in achieving your development goals. We thank all our development partners for your trust in SPC and your belief in the value of our work, and for providing the resources that enable us to make a difference in the lives of Pacific Island people.
- 58. In closing, I come back to my staff – your staff. To all SPC staff, located in all our stations throughout the Pacific, thank you for your service to the region during 2011.
- 59. To the members of my management team, who despite excessive workloads and stress during 2011 have again excelled beyond my expectations, my sincere thanks.

60. To the distinguished delegates at CRGA 41, may God bless you and grant you wisdom as we contemplate the important issues affecting Pacific Island countries and territories and their people this week. There are a number of decision points for your deliberation in my report. I commend my 2011 report to you for your consideration.

29 October 2011

Annex 1 to Director-General's overview report

**CIRCULAR LETTER TO
REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS
ON SPC UPDATES FROM THE DIRECTOR-GENERAL**

Dear Representative

I am pleased to provide for your information the following update on SPC's work, opportunities and challenges in the first half of the year, and a road map of major milestones for 2011 and 2012.

Introduction

1. This circular to members covers important aspects of SPC's work in the first seven months of 2011, mainly describing the steps being taken to ensure efficient, transparent and accountable operation as a larger organisation. It is informal in style, presenting issues as I see them at this point in time.
2. More substantive information will be provided in my report to the 41st meeting of the Committee of Representatives of Governments and Administrations (CRGA 41) and the 7th Conference of the Pacific Community later this year.
3. The information is presented under the following headings:
 - A. January – July 2011 overview
 - B. Sequence of 2011 priority actions
 - C. Immediate implementation of RIF reforms
 - D. Maintaining services to members
 - E. Dealing with a reduction in the 2011 programme funding budget
 - F. Consolidating RIF reforms
 - i. Enhancing accountability and governance mechanisms and processes
 - ii. Review of SPC's corporate and programme support services
 - iii. Finalisation of work on SPC's core business
 - iv. Updating the current Corporate Plan
 - v. Updating the Tahiti Nui Declaration
 - vi. Initiating work programme and budget reforms
 - vii. Review of SPC policies on decentralisation and programme location
 - viii. Further refinement of SPC's organisational structure
 - G. Setting the future direction for SPC
 - i. Commission independent external review of SPC
 - ii. Respond to the findings and recommendations of the independent review
 - iii. Develop new SPC Corporate Plan for 2013–2017
 - iv. Finalise long-term sustainable financing strategy
 - v. Finalise budget and work programme reform
 - H. CRGA 41 and the 7th Conference of the Pacific Community
 - I. Road map to CRGA 42, November 2012.

A. January – July 2011 overview

4. The past seven months has been a period of major change at SPC, not only in the size and scope of our work, but also in the way we work. With commitment and positivity from all staff we have been able to implement the largest and most complex regional reform ever undertaken in the region through integrating the technical and scientific programmes of three previously separate regional

organisations, SPC, SOPAC (Pacific Islands Applied Geoscience Commission) and SPBEA (formerly the South Pacific Board for Educational Assessment), into one single organisation – the new SPC.

5. Many of you have heard me say that SPC is not the same organisation as the one we started out with before we embarked on the Regional Institutional Framework (RIF) reform process directed by Pacific leaders. It is now a new organisation – a new SPC that aims to preserve the best of the old SPC enriched with the best from SOPAC and SPBEA.
6. So while we still sail under the same name of SPC, the organisation is new, our scope of work has expanded and a new and enriched organisational culture is in the making. In all this, our vision for the region remains the same as stated in our Corporate Plan – ‘a secure and prosperous Pacific Community, whose people are educated and healthy and manage their resources in an economically, environmentally and socially sustainable way’, as does our mission – ‘to help Pacific Island people position themselves to respond effectively to the challenges they face and make informed decisions about their future and the future they wish to leave for the generations that follow’.
7. We continually remind ourselves of the vision and mission of SPC as we focus on ensuring the delivery of ‘regionally provided’ high-priority services to island members by all SPC programmes.

B. Sequence of major deliverables in 2011 and 2012

8. Coming into 2011, SPC’s organisational priorities came under the following areas:
 - i. Full and effective implementation of RIF reforms
 - ii. Effective delivery of priority regional services to members by all SPC programmes with no diminution in services
 - iii. Consolidation of RIF reforms
 - iv. Development of the long-term sustainable financing strategy
 - v. Updating of SPC’s strategic and legal documents – the Corporate Plan and Tahiti Nui Declaration
 - vi. Revised presentation of SPC’s work programme and budget.
9. In the first few months of 2011, we focused on achieving full and effective implementation of the RIF reforms. Particular attention was paid to ensuring no diminution of services, and where possible enhanced service delivery to members following the RIF reform. As a result of a substantial reduction in our overall programme funding, which I will elaborate on a little later in this update, we had to devote considerable time to reallocating the resources needed to deliver high-priority services to members in 2011. We reviewed the sequence of the major deliverables in 2011 and 2012, with the emphasis on consolidating the RIF reforms and taking appropriate action to enhance internal efficiency, accountability and governance mechanisms in 2011. Some actions that will help set the longer-term future for SPC were thus deferred to 2012.
10. Deliverables under sections C, D, E, F (i–viii) and H in paragraph 3 above comprise the major results for 2011 and those under section G (i–v) the deliverables for 2012. However, we have already begun on many of the actions needed to achieve the 2012 deliverables.

C. Immediate implementation of RIF reforms

11. On 1 January 2011, SOPAC’s core work programme became the new Applied Geoscience and Technology (SOPAC) Division of SPC, as highlighted in the joint report produced by the Director of the new division, Dr Russell Howorth, and me in April this year. Already we have seen synergies and benefits to members in a number of areas, vindicating the leaders’ rationale for RIF reform of ‘...enhancing benefits of regionally delivered services to members’. You will recall from both the

last meeting of the SOPAC Council and CRGA 40 last year that we hope to be able to complete all the requirements for closing ‘SOPAC the Commission’ by 30 September. We are still working towards this date and I will provide a further update at CRGA 41 if all the conditions for the closure are met by then.

12. SPBEA (*Secretariat of the Pacific Board for Educational Assessment*) is now the major programme of our new Education, Training and Human Development Division. The instrument for withdrawal from the ‘Agreement on the Establishment of the South Pacific Board for Educational Assessment (SPBEA) signed in Papeete on 11 October 1979’ by the seven countries that ratified the agreement (Cook Islands; Kiribati; Niue; Samoa; Solomon Islands; Tonga; and Tuvalu) and the five countries that had not ratified but were members (Australia; Nauru; New Zealand; Tokelau and Vanuatu) was deposited with the Government of Fiji, the depository for the original agreement, on 4 February 2011.
13. Formalisation of the transfer of some residual technical functions under energy, ICT, infrastructure and transport from the Pacific Islands Forum Secretariat (PIFS) to SPC has been temporarily put on hold as we focus on consolidating the integration of SOPAC and SPBEA. PIFS and SPC will finalise this last aspect of the RIF reforms as soon as we can. Suffice to say, the delay has no real effects as it relates principally to transfer of functions rather than resources.
14. Having successfully implemented the major part of the RIF reform, our biggest challenge in 2011 – and undoubtedly in 2012 and beyond – has been to consolidate the benefits of the reform including achieving longer-term efficiencies, while complying with the instructions of leaders that there be ‘no diminution of services’.

D. Maintaining services to members

15. Maintaining the delivery of a high level of priority services to members is a challenge at the best of times. To continue to meet members’ requirements and expectations while at the same time implementing major organisational reform is even more challenging.
16. Despite the challenge posed by having three ‘previously stand alone’ organisations now operating as a single organisation from 1 January this year, the capable leadership of divisional, programme and section heads coupled with the professionalism of all staff, and their commitment to delivering high-quality services, have supported our efforts to ensure ‘no diminution of services’ in the first half of 2011. As well, there are many synergies resulting from cooperation between the programmes of the three previously separate organisations. We will provide more details of these at CRGA; however some examples include:
 - Closer collaboration between SPC’s fisheries, transport and maritime boundaries programmes and the Forum Fisheries Agency (FFA) in assisting members on maritime boundary matters.
 - Under its Seabed Minerals Project, the new Applied Geoscience and Technology (SOPAC) Division is working with the Land Resources Division, Human Development Programme and UNDP Pacific Centre on joint activities in the mineral resources sector.
 - Signing of an MOU between SPC and the International Hydrographic Organisation in April 2011 to facilitate their engagement in the region in hydrographic survey work led by the SOPAC Division, and the Economic Development Division’s work on safety at sea.
 - Deployment of a Disaster Reduction Programme Officer based in the North Pacific Regional Office of SPC from March 2011.
 - Increasing involvement of SPC’s North Pacific Regional Office in the coordination and facilitation of water and sanitation activities for Palau, Federated States of Micronesia and Marshall Islands, especially in supporting national water summits.

- Further GIS and RS (geographical information system and remote sensing) joint activities for members, including joint funding of a staff position in the SOPAC Division to work on vegetation mapping with the Land Resources Division and GIZ (formerly GTZ) Project.
- Installation of early warning systems to support disaster preparedness and communications through partnership between the Disaster Reduction Programme and the Pacific rural internet connectivity system (PacRICS); the Economic Development Division facilitated the supply of equipment and the SOPAC Division met the cost of the equipment and initial bandwidth.
- Collaboration across the organisation in preparing the new SPC-wide Climate Change Engagement Strategy.

17. SPC staff are committed to delivering results to members through their work programmes. Many of you have commended our staff for the difference their work is making in your countries. Such recognition is extremely useful.

E. Dealing with a reduction in the 2011 programme funding budget

18. In May this year, New Zealand agreed to provide NZ \$2 million to support the work programme of the newly merged SPC for 2011, which was a reduction of approximately NZ \$3.435 million from the amount expected. The reduction in funding followed New Zealand's expressions of concern about the effectiveness, efficiency and impact of SPC's regional programmes at the national level. SPC still has the opportunity to obtain increased funding from New Zealand if we can demonstrate areas in which regional programmes achieve superior results at the national level that also complement bilaterally funded programmes. It is important to note that this reduction in funding only affects the programme funding component of New Zealand's contribution to SPC. New Zealand's member assessed contribution and funding for specific approved projects remain in place.

19. As CEO of SPC, I face the reality of having to deliver a 2011 work programme approved by SPC's governing body in 2010 (CRGA 40) with a substantially reduced work programme budget. I acknowledge that New Zealand indicated at last year's governing body meeting that it was not able at that time to commit to the level of programme funding that the approved 2011 SPC budget was based on, but while we expected a decrease, we did not foresee the size of the reduction or the rapid adjustment that would be required to work plans. The impact of the reduction in programme funding necessitates a decrease in SPC's technical expertise and curtailment of some services but neither can be implemented immediately as there are commitments to countries and contractual obligations.

20. As you are aware, SPC's core business is providing technical assistance and training in all the sectors we work in to all island members, so our services are delivered by technical specialists in the context of work programmes that are agreed on at CRGA and between SPC and recipient countries. While SPC services are provided from a regional level, they target the national development priorities of Pacific Island governments and administrations. This is the key principle underpinning the joint country strategies (JCSs) that the SPC Conference directed us to develop bilaterally between SPC and each of our 22 island members. The strategies identify the programmes and services SPC is required to implement in each island member over the next 3–5 year period.

21. As a case in point, we have just completed the Papua New Guinea (PNG) / SPC joint country strategy consultations, which were coordinated by PNG's Department of Planning and Department of Foreign Affairs. PNG identified the priorities that SPC is required to deliver on across each of the sectors SPC works in and in accordance with PNG's Medium Term Development Plan 2011–2015. When completed, the PNG / SPC JCS will become the PNG country programme for SPC's work in the next 5 years. Similarly the other 21 JCSs, one for each island member, constitute SPC's work programme for each member. The national priorities reflected in these JCSs are the basis of SPC's work programme budget.

22. A further challenge for SPC is that the reduction in our work programme funding came a few months into the first year of implementing a major part of the RIF reforms. As the agency that has had to invest the most time, effort and resources in making the new RIF work, we would have appreciated some breathing space to consolidate the reforms. However, we are taking a positive approach and as highlighted below we are undertaking to assess efficiency gains that could be built into our 2012 work programme and budget and beyond, as well as further refining our core work.
23. We are working toward a revised balanced 2011 work programme budget and have also taken the decision to present a reduced 2012 work programme budget for consideration by CRGA 41 later this year. I will present to CRGA full details on the strategy we have taken to balance the 2011 work programme budget and develop the 2012 budget.

F. Consolidation of RIF reforms

24. We have begun implementing some of the analytical work that will further determine the core services that the 'new SPC' should provide to members in the long term. In addition we are looking at the ideal mix of skills and resources needed to deliver the required services, the organisational structure that will best deliver these services, and the long-term vision and corporate direction of the organisation with a focus on updating the current corporate plan in 2011 and developing a new one in 2012. This section provides updates on actions we have undertaken or plan to undertake in 2011.
 - i. *Invest in enhanced accountability and governance mechanisms and processes* – We invested resources in updating our organisational policies and procedures to improve the efficiency and transparency of our operations and interventions. Under this area, we:
 - have developed and are implementing new policies on procurement and supply, risk management, anti-fraud, and performance development and management;
 - have synchronised all our ICT, finance and human resources (HR) systems in all our locations;
 - have developed a new internal audit charter which will be presented to CRGA and Conference for consideration;
 - are updating our HR systems together with implementing a new corporate-wide electronic document and records management system;
 - are developing an organisation-wide monitoring and evaluation (M&E) policy and M&E framework that will link results to budgets;
 - are coordinating the implementation of a CROP-wide (Council of Regional Organisations in the Pacific) human resources information system, which will standardise systems and processes in all participating agencies – PIFS, Secretariat of the Pacific Regional Environmental Programme (SPREP) and FFA.

We view these improvements to our internal systems as a pre-requisite to, and part of, developing the planned long-term financing strategy and thus have accorded them priority in 2011. With these systems in place, we will be able to better measure the effectiveness and impact of SPC services and also achieve greater efficiency, accountability and controls. Some of the points above have been completed and implemented in 2011, while others will be completed in 2012.

- ii. *Review of SPC's corporate and programme support services* – We have appointed Maxumise Consulting Pty Ltd of Australia to undertake this review, which will look at both Corporate Services (HR, administration and finance) and Programme Support Services (IT, Interpretation and Translation, Publications and Library). We hope the review will come up with recommendations on the ideal and most cost efficient and effective arrangement for providing these services and supporting delivery of SPC's technical services to members.

We welcome member input to this review and anticipate presenting the findings to CRGA 41.

- iii. *Finalisation of work on defining SPC's core business* – Division directors have worked on further defining what we believe constitute the core services that SPC should deliver to members in the long term. This work is being reviewed internally and will then be sent to members for input. I am also inviting a number of external experts covering the work of each of our six technical divisions to join a 'reflections group' to validate (or otherwise) the services that should form the core business of SPC. It is my intention to present the outcome of this work to CRGA 41. Finalisation of SPC's core business will be crucial for the development of the new Corporate Plan 2013 – 2017.
- iv. *Updating the current Corporate Plan* – We will table an updated version of the current Corporate Plan 2007–2012 for consideration by CRGA and Conference this year. The plan does not expire until 2012. We will incorporate changes that have already been approved by our governing body in the updated plan. Work on the new Corporate Plan covering the period 2013 to 2017 will be undertaken in 2012 (see paragraph 32).
- v. *Updating the Tahiti Nui Declaration* – The Tahiti Nui Declaration sets out the 'operational policies governing SPC' and supplements the Canberra Agreement¹. It came into force following its approval at the 1st Conference of the Pacific Community in Tahiti in 1999 and was first updated in 2005. As a result of the RIF reform it requires further revision. We will table an updated version of the Tahiti Nui Declaration for consideration by CRGA 41 and the 7th Conference.
- vi. *Initiate work programme and budget reforms* – We anticipate that the full reform of our work programme and budget will take two years. We have initiated some changes in the presentation of the upcoming 2012 budget including introducing a five-year budget forecast. In a major change, we plan to present a two-volume budget for 2013. One volume will focus on country-by country budgets, while the other will comprise services that are delivered to more than one member. We also aim to link the 2013 budget presentation directly to our three key development outcomes – sustainable economic development, human and social development and natural resources management and development – as well as to the joint country strategies. The budget will be underpinned by our organisation-wide monitoring and evaluation framework, which will enable tracking and linking of the budget to results and sources of funding.
- vii. *Review of SPC's policies on decentralisation and programme location* – The 2005 Conference directed SPC to decentralise services beyond Noumea and Suva. After six years of implementing this decision, there are lessons we can learn from. It is important to take stock of the benefits of decentralisation and we plan to include this analysis and the analysis of programme location as part of a broader independent external review of SPC, as proposed below.
- viii. *Further refinement of SPC's organisational structure* – We have continued to refine the organisational structure of SPC. Details will be presented for the information of CRGA and Conference.

Setting the future direction of SPC

25. A number of major changes have taken place over the past six years that have had major impacts on SPC's work and its role in Pacific regionalism. Since the last corporate review in 2005 led by

¹ The Treaty Agreement establishing SPC in 1947

Senator Caleb Otto of Palau, there have been significant developments that have impacted on SPC and its work. The ‘Pacific Plan for strengthening regional cooperation and integration’ now provides a framework for regional development priorities and the ‘Cairns Compact on strengthening development coordination in the Pacific’ has been in operation for the past two years. The role of SPC in cross-cutting priorities such as food security, climate change and the Millennium Development Goals has become more important, and the RIF outcome has changed not only the regional architecture, but also the scope of SPC’s work.

26. To help chart the future direction of SPC, we propose the following actions over the next 12 to 18 months.

i. *Commissioning of an independent external review of SPC*

27. It is my considered view as your CEO that the changes resulting from regional reforms over the past six years call for the commissioning of an independent external review of SPC to ensure that the long-term vision, mission and core business of your organisation ‘post-RIF’ is informed by members’ views. I believe it is both important and timely to commission this review and seek your agreement to proceed with its commissioning as a matter of priority.

28. The case for commissioning an independent external review is strong. The last review took place before the RIF reforms. Changes over this period have had an enormous impact on SPC and its role in the future of Pacific regionalism. The review process will enable our members and partners to contribute fully to determining SPC’s future, and the outcome will inform the development of the new Corporate Plan for 2013–2017. The results of some of the work described in paragraph 24 will also feed into this review.

29. I hope to be able to send you the draft terms of reference for this review in the next few weeks. Following receipt of your inputs and comments, I will proceed to commission the review. We expect it will take three to four months to enable the review team to consult fully with members and stakeholders. I hope to provide an update at CRGA on the team that will undertake the review and the timeframe. At present we expect it will begin sometime after CRGA / Conference with a view to having a draft report by March 2012 and final report by April 2012.

30. Given the centrality of this review to the development of the Corporate Plan and long-term sustainable financing strategy for SPC we suggest that the terms of reference for the CRGA sub-committee on the financing strategy be expanded to consider the findings and recommendations from this review and the secretariat’s response, as well as to oversee the development of the new Corporate Plan.

ii. *Develop response to the findings and recommendations of the independent review*

31. This will be one of the first major activities following the completion of the independent external review in 2012.

iii. *Develop new SPC Corporate Plan 2013 – 2017*

32. Work on the new Corporate Plan for the period 2013 – 2017 will begin early in 2012. The response to the independent external review together with the findings and recommendations of activities undertaken under paragraph 24 will provide the basis for the new plan and, as mentioned in paragraph 30, the CRGA subcommittee will provide oversight of its development. We anticipate presenting the Corporate Plan 2013–2017 to CRGA 42 in 2012 for consideration and approval.

iv. *Finalising the long- term sustainable financing strategy*

33. The finalisation of the strategy will be undertaken in parallel with the development of the new Corporate Plan as they will be closely linked and both based on the agreed long-term core business of SPC. It is anticipated that the financing strategy will be presented to CRGA 42 in 2012 for consideration.
34. Due to this revised approach, there will be no meetings of the CRGA subcommittee on the long-term sustainable financing strategy in 2011 as we focus on implementing activities under paragraph 24 and plan the commissioning of the independent external review. As foreshadowed in paragraph 30 we anticipate a broader role for this CRGA subcommittee in 2012 with the first meeting likely to take place following the completion of the independent external review. This timing will enable the subcommittee to consider the findings and recommendations of the review and the secretariat's response, which together with the outcome of work under paragraph 24, will form the basis for finalising the financing strategy.

v. Finalise budget and work programme reform

35. As alluded to in paragraph 24 (vi) we have begun the reforming the presentation of our work programme and budget. Some of this work will be incorporated in the 2012 budget presented to CRGA 41 this year, while the major changes will be completed for the 2013 budget, which will be presented to CRGA 42 in 2012.

41st Meeting of CRGA and the 7th Conference of the Pacific Community

36. With the generous agreement of the Republic of Marshall Islands, the host for this year's meetings of SPC's governing body, the 41st meeting of CRGA and the 7th Conference of the Pacific Community will be convened at SPC headquarters in Noumea from 31 October to 4 November and 7 to 8 November respectively. The Federated States of Micronesia will chair CRGA 41 and the Republic of Marshall Islands will chair the Conference.
37. The theme for the 7th Conference of the Pacific Community is 'Climate Change and Food Security – challenges and solutions in Pacific Island countries and territories'.
38. The draft agendas for both meetings are being sent to members for input. Item 5 of the CRGA 41 agenda provides an opportunity for members to table papers on matters of national importance relating to SPC's work that also have regional significance. Examples include issues such as maritime boundaries, or the public health threats posed by both communicable diseases such as multidrug-resistant tuberculosis and non-communicable diseases. These are matters of national concern addressed by SPC's work that also have implications at the regional level.
39. I look forward to hearing any comments from members on the agendas for CRGA 41 and the 7th Conference of the Pacific Community by Friday 26 August 2011.

Road map to CRGA 42 in November 2012

40. Below is a summary of major milestones and target dates to be achieved for presentation to CRGA 41 and the 7th Conference of the Pacific Community (2011) and CRGA 42 (2012).

Item	Milestones	Target dates
1	Immediate implementation of RIF reforms	Throughout 2011 / 12
2	Maintenance of services to members	2011 onward
3	Dealing with a reduction in the 2011 programme funding budget	2011 onward
4	Consolidating RIF reforms <ul style="list-style-type: none"> i. Invest in enhanced accountability and governance mechanisms and processes ii. Review of SPC's corporate and programme support services iii. Finalisation of work to define SPC's core business iv. Updating of Corporate Plan 2077 – 2012 v. Updating of the Tahiti Nui Declaration vi. Initiate budget and work programme reforms vii. Review of SPC's policy on decentralisation and programme Review of SPC's policy on decentralisation and programme location viii. Further refinement of organisational structure 	Throughout 2011 / 12 2011 / 12 2011 2011 2011 2011 2011 2011/12 2011
5	CRGA 41 and 7th Conference of the Pacific Community	31 Oct – 8 Nov. 2011
6	Setting the future direction for SPC <ul style="list-style-type: none"> i. Commission independent external review of SPC ii. Develop response to the findings and recommendations of the independent review iii. Develop new SPC Corporate Plan 2013 – 2017 iv. Finalise long-term sustainable financing strategy v. Finalise budget and work programme reform 	Throughout 2011 / 12 2011/12 2012 2012 2012 2012
7	CRGA 42	5 – 9 Nov. 2012 ²

Conclusion

41. 2011 has seen the full and effective implementation of the region's largest institutional reform. I am satisfied we have succeeded in this endeavour and we are trying to maintain services to members despite challenges. I will present to CRGA 41 and the 7th Conference a balanced revised 2011 work programme budget and reduced 2012 work programme budget for consideration. While dealing with the budget decrease has not been easy, the cut has enabled us to bring a sharper focus on re-prioritisation and we will be all the better for it as we move forward.
42. Our key objective for the coming 16 months (to December 2012) is to ensure SPC's future direction is on a very sound footing. The actions proposed under sections F and G of this update will help us get there.
43. On a personal note, I commend to members the fact that my staff ,who are also your staff, have been performing under so much pressure since the beginning of the RIF reforms, working tirelessly to deliver excellent services to our island members under increasingly difficult circumstances for which they have my sincere admiration and commendation. They will appreciate the same sentiments from you as the owners of this wonderful organisation and recipient of their services.

I look forward to seeing you at CRGA 41 and the 7th Conference of the Pacific Community in Noumea later this year.

Dr Jimmie Rodgers
Director-General

² Proposed date for CRGA 42 in 2012

Annex 2 to the 2011 Director-General's overview report - Progress on implementation of key decisions of the 40th Session of the CRGA

No.	Decision Point	Progress as at 30 th September 2011
1	Joint Country Strategies and Country Profiles	<ul style="list-style-type: none"> • Final 2 JCS for New Caledonia and Papua New Guinea being developed with the two countries. • JCS for Cook Islands, Nauru, RMI and Solomon Islands reviewed. Second generation JCS for these countries to be developed in 2012. • A CROP task force has been established, coordinated by SPC, to develop TOR for developing the joint CROP JCS for Nauru and RMI in 2012.
2	Cross-cutting Policy Initiatives	<ul style="list-style-type: none"> • The draft 'organisation-wide climate change engagement strategy' will be tabled under agenda item 3.3.
3	Pacific Plan Implementation	<ul style="list-style-type: none"> • We continue to publish the 'SPC and the Pacific Plan – Achievements, challenges and targets' series. Volume 3 covers the period July 2012 to June 2011. CRGA Paper 4.8 provides more details.
4	Implementation of the Regional Institutional Framework reform	<ul style="list-style-type: none"> • This was achieved on 1 January 2011. • The closure of 'SOPAC the Commission' was effectively achieved with the signing over of all SOPAC assets to SPC during the first SOPAC divisional meeting in Nadi on Friday 14th October 2011.
5	Implementation of organisational re-structure	<ul style="list-style-type: none"> • The structure endorsed by the 6th Conference in Tonga has been implemented with: <ul style="list-style-type: none"> ○ SPBEA formally becoming part of the new Education, Training and Human Development Division; ○ the Applied Geoscience and Technology (SOPAC) Division becoming the 6th technical division at SPC; ○ the Statistics for Development Programme and the Strategic Engagement, Policy and Planning Facility (SEPPF) coming under the office of the Director-General; ○ the Directorate of Operations and Management becoming operational and comprising Corporate Services and Programme Support Services under the responsibility of the Headquarters Deputy Director-General. • Further revision of the organisational structure will be implemented in 2012, aimed at reducing the number of direct reports to the Director-General and increasing the level of delegation to Deputy Directors-General – See Annex 5.
6	Implementation of Framework for Action on Food Security	<ul style="list-style-type: none"> • SPC chairs the 'Food secure Pacific working group' comprising key regional partners: the Food and Agriculture Organization, the Global Health Institute's Centre for Health Innovation and Partnership in Sydney, the Pacific Islands Forum Secretariat, the United Nations Children's Fund and the World Health Organization. The working group is developing a joint implementation plan for regional interventions to support national level initiatives to implement the Food Security Framework at national levels.
7	Implementation of the Framework for Action on Energy Security in the Pacific	<ul style="list-style-type: none"> • Pacific energy ministers endorsed the framework and its implementation plan in April 2011. Further details on its implementation are covered in CRGA Paper 4.2.
8	Implementation of the Framework for Action on ICT development in the Pacific	<ul style="list-style-type: none"> • Pacific ICT ministers endorsed the framework and its implementation plan in April 2011. Further details on its implementation are covered in CRGA Paper 4.2.
9	Tracking of development Indicators	<ul style="list-style-type: none"> • Tangible progress has been made with this SPC-wide initiative. As of mid-September, indicator coverage stands at 60%, addressing 190 indicators across 10 themes. CRGA Paper 4.7 provides more details.

No.	Decision Point	Progress as at 30 th September 2011
10	Development of the long term sustainable financing strategy (LTSFS)	<ul style="list-style-type: none"> This work had been held in abeyance, pending the completion of the independent external review of SPC and the development of the new corporate plan for the period 2013–2017. The CRGA subcommittee on the LTSFS will convene, following the completion of the independent review to consider the main recommendations and provide guidance to SPC on the new corporate plan and financing strategy.
11	New arrangements for CRGA and Conference	<ul style="list-style-type: none"> The decision by CRGA 40 on the structure of the CRGA agenda has been implemented with a two-part agenda, dealing first with the technical work programme and then with governance and policy matters. The decision on cost-sharing with delegations to CRGA has been implemented. The secretariat expressed appreciation to members for enabling this arrangement, as well as for increasing their respective delegations at their own cost to enable better coverage of both the technical and policy agendas. Hosting arrangements for both CRGA and Conference are now going to be at headquarters, with provision for members to be able to host Conference on the basis of the host country meeting the full difference of the cost for hosting Conference and the associated CRGA meeting outside headquarters. This arrangement is an important austerity measure, given the bilingual nature of SPC’s governing body meetings and the substantial additional cost to the secretariat of hosting these meetings outside headquarters.
12	New arrangements for sector technical meetings	<ul style="list-style-type: none"> Implementation of decisions by CRGA 40 on the hosting arrangements of sector technical meetings commenced with convening the first multi-sector, multi-ministerial meeting covering transport, energy, ICT and infrastructure at headquarters in April this year. From 2012, all heads of sector technical meetings will be convened either at headquarters or in Fiji for cost reasons. Members can offer to host these meetings, on the basis that they meet the additional cost of convening these meetings outside headquarters or Fiji.
13	Micronesia Village project	<ul style="list-style-type: none"> FSM continues to seek resources to bring this project into fruition. In the meantime, FSM has provided additional office space to the North Pacific regional office by providing two additional floors of the office building currently occupied by SPC at Pohnpei.
14	Implementation of the 2009 triennial review recommendations	<ul style="list-style-type: none"> SPC has now adopted the new broad-banding structure approved by CRGA, in concert with other governing bodies of participating CROP agencies. The new banding structure caters for three specific categories of staff — those recruited from the local market, those recruited through international advertisement, and the CEOs. Draft proposed rules of procedure for dealing with the recruitment, remuneration and assessment of the Director-General directed by CRGA 40 will be tabled under CRGA Paper 11.2. If approved, implementation will be prospective from 2012.
15	Recruitment of the Director-General	<ul style="list-style-type: none"> This was withheld, following the decision taken by CRGA 40, which will be tabled under CRGA paper 11.1.
16	Venue for 7 th Conference of the Pacific Community and CRGA 41	<ul style="list-style-type: none"> The venue for the meeting approved by 6th Conference was Majuro, in the Republic of Marshall Islands. The RMI government has, however, accepted the secretariat’s request for CRGA 41 and the 7th Conference to be convened at SPC headquarters as an austerity measure. The secretariat expresses its debt of gratitude to the government and people of RMI.

Annex 3 to the 2011 Director-General's overview report - Progress on implementation of major milestones for 2011 presented in 2010 overview report

No.	Major Milestone	Progress as at 15 October 2011
1	<p><i>Continued full and effective delivery of all SPC services</i></p> <ul style="list-style-type: none"> • all key technical and scientific services from existing SPC programmes • all new SPC services that come through the merger of SPBEA programmes into the new Education, Training and Human Development Division • all new SPC services that come through the transfer of SOPAC's core programmes to the new Applied Geoscience and Technology Division • all new SPC services that come through the transfer of some technical programmes from PIFS, including energy, transport, ICT and infrastructure 	<ul style="list-style-type: none"> • Most services from all pre-existing divisions were sustained. Some specific services were curtailed (see main report) • all SPBEA services were sustained into 2011. • Most SOPAC division services were sustained. Capacity to provide more support to members was curtailed in a number of areas, including in water and sanitation, disaster reduction and ocean science • No movement in this area, due mostly to not having the time to complete this component with PIFS.
2	<p><i>Implementation of Phase 2 of the organisational structural reforms</i></p> <ul style="list-style-type: none"> • Implementing the new structure • Further analysis in 2011 of the directorate concept for further implementation in 2012 	<ul style="list-style-type: none"> • This has been implemented (See Annex 2). • The result of the analysis is that SPC will focus on the three key development outcomes rather than directorates. All SPC programmes will contribute to each of the three development outcomes. In 2012, work will commence to align all the organisation's key strategic documents to the three key development outcomes. These documents include the corporate plan, divisional/programme strategic plans, joint country strategy documents, budget documents and the monitoring and evaluation framework.
3	<p><i>Analysis of corporate (finance / administration / human resources) services, programme support services and ICT services</i></p>	<ul style="list-style-type: none"> • SPC commissioned an external review of the corporate and programme support services. A progress report will be tabled for discussion under agenda item 8.2.
4	<p><i>Review and updating of the organisation's legal and strategic documents</i></p>	<ul style="list-style-type: none"> • The 2011 revision of the Tahiti Nui Declaration will be tabled at CRGA 41 under agenda item 7 and at the 7th Conference under agenda item 4. • The new corporate plan will be developed in 2012.

No.	Major Milestone	Progress as at 15 October 2011
5	<p><i>Restructuring of the budget and work programme format for the 2012 budget</i></p> <ul style="list-style-type: none"> • The budget will be linked to SPC’s key result areas. • It will incorporate separate budgets for PICTs, linked to the joint country strategies. • A regional budget stream will be maintained for regional initiatives/interventions. • There will be more detailed presentation of work programmes, particularly at the key result areas level. • Income from recurrent (core and programme funding) sources will be delineated from non-recurrent (project) funding. • The contribution of recurrent and non-recurrent funding to achievement of KRAs will be clarified. • A multi-year budget covering at least the two following years will be included. • A rolling 5-year budget forecast will be included in an annex to the budget each year. 	<ul style="list-style-type: none"> • Merging 3 previously separate budgets and reforming the presentation of the 2012 budget was a particular challenge in 2011. However, SPC has achieved many of the budget milestones outlined for 2011 as follows: <ul style="list-style-type: none"> ○ stronger links between the budget and key results areas; ○ provision of more detail on outputs and results, in the budget as well as in the divisional reports and 2012 work programmes; ○ delineation of recurrent and project income with clearer links to outputs from recurrent and project budgets; ○ maintenance of the regional budget stream; ○ introduction of a multi-year budget (3-year cycle including revised previous year, budget year and following year); and ○ inclusion of a 5-year budget forecast. • Work on the two-tier budget presentation and alignment with the three KRAs will continue in 2012 for the 2013 financial year.
6	<p><i>Contribute to the finalisation of the long-term sustainable financing strategy (LTSFS)</i></p>	<ul style="list-style-type: none"> • Work on this has been temporarily been put on hold, pending the completion of the work on the core business of SPC, the implementation of the independent external review of SPC and the development of the new corporate plan for SPC for the period 2013–2018. The LTSFS will be completed in tandem with the new corporate plan to be developed and presented to CRGA 42 in November 2012.
7	<p><i>Institutional strengthening</i></p> <ul style="list-style-type: none"> • Strengthening the ‘engine room’ • Strengthening the Strategic Engagement, Policy and Planning Facility (SEPPF) • Building organisational resilience 	<ul style="list-style-type: none"> • The first step in this process is the commissioning of the external review. • Refer to CRGA Paper 4.8 for a progress update on SEPPF. • The consolidation of the three organisations’ accounts has provided an initial move toward achieving a higher level of reserve endorsed by CRGA 40.
8	<p><i>Recruitment process for the new Director-General</i></p>	<ul style="list-style-type: none"> • This process was superseded by the decision of CRGA 40. CRGA Paper 11.1 provides more details.
9	<p><i>Continued engagement with the regional processes and mechanisms, in particular with CROP heads</i></p>	<ul style="list-style-type: none"> • SPC engaged constructively at various regional fora, including CROP Heads meetings and meetings of various CROP working groups: the remuneration working group; the marine sector working group, the human resources working group and the sustainable development working group. SPC has also concluded a number of formal signings of MOUs to enhance cooperation and collaboration with other agencies and to minimise potential for duplication.

**Annex 4 to Director General's 2011 Overview Report -
Examples of achievements against Corporate Plan objectives in 2011**

Corporate objective 1		Increased focus on member priorities
No.	Key initiative in the plan period	Performance against initiative
1	Proactive monitoring and analysis of international developments relevant to Pacific Island countries and territories (PICTs)	<p>We are proactively engaged in a number of areas globally and in the region including:</p> <ul style="list-style-type: none"> • With the Global Fund Board and working committees to monitor, analyse and advise on GF policies and strategic directions to protect PICT interests. • In ongoing climate change discussions/forums relevant to the region.
2	Development of joint country strategies (JCS)	<ul style="list-style-type: none"> • By December 2011 we will have completed 22 JCSs, and in 2012 will begin developing second-generation JCSs with 7 members. • We completed joint reviews of JCSs for Marshall Islands, Cook Islands, Solomon Islands and Nauru in 2011. • We will be part of a CROP-wide JCS process in 2012 in Nauru and Marshall Islands.
3	Further decentralisation beyond the main offices in Noumea and Suva	<p>We have worked to implement the instructions of the 4th Conference of the Pacific Community (2005) over the past 5 years as follows:</p> <ul style="list-style-type: none"> • SPC opened two formal offices beyond headquarters and the Suva regional office – the North Pacific regional office in Pohnpei and the country office in Honiara. • SPC has signed country agreements with Marshall Islands, Palau, Tonga and Vanuatu to enable deployment of SPC personnel in these member countries under the normal diplomatic privileges and immunities provisions in these countries. • As needed, we may deploy project staff in other PICTs. • We are addressing systems and infrastructure challenges to ensure effective real-time communication between SPC's offices. • The question of decentralisation is included in the upcoming independent review of SPC.
4	Greater complementarity of national and regional programmes	<ul style="list-style-type: none"> • Increasingly all SPC's programmes complement or supplement national programmes as a result of the JCS process. • In some cases, members request SPC to manage part of their bilateral funds due to lack of absorptive capacity at national level, e.g. the Kiribati Tuberculosis Programme is funded under a bilateral arrangement but managed by SPC in collaboration with the government. • New resources for climate change support in PICTs are predominantly provided under complementary arrangements with national programmes.

Corporate objective 2		Strategic engagement at national, regional and international levels
No.	Key initiative in the plan period	Performance against initiative
1	Strategic alliances, effective partnerships and engagement at the regional level	<ul style="list-style-type: none"> • <i>CROP Heads (Executives) mechanism</i> – The CROP Heads mechanism is the region's highest level multi-organisation (informal) advisory body. Owned by the region, it provides advice and support to members on a range of issues – technical, scientific, socio-cultural, economic, developmental, environmental and political or policy. The role of CROP Heads will increase in importance as the challenges facing the region intensify, and the need for concerted and well-coordinated regional responses to common challenges

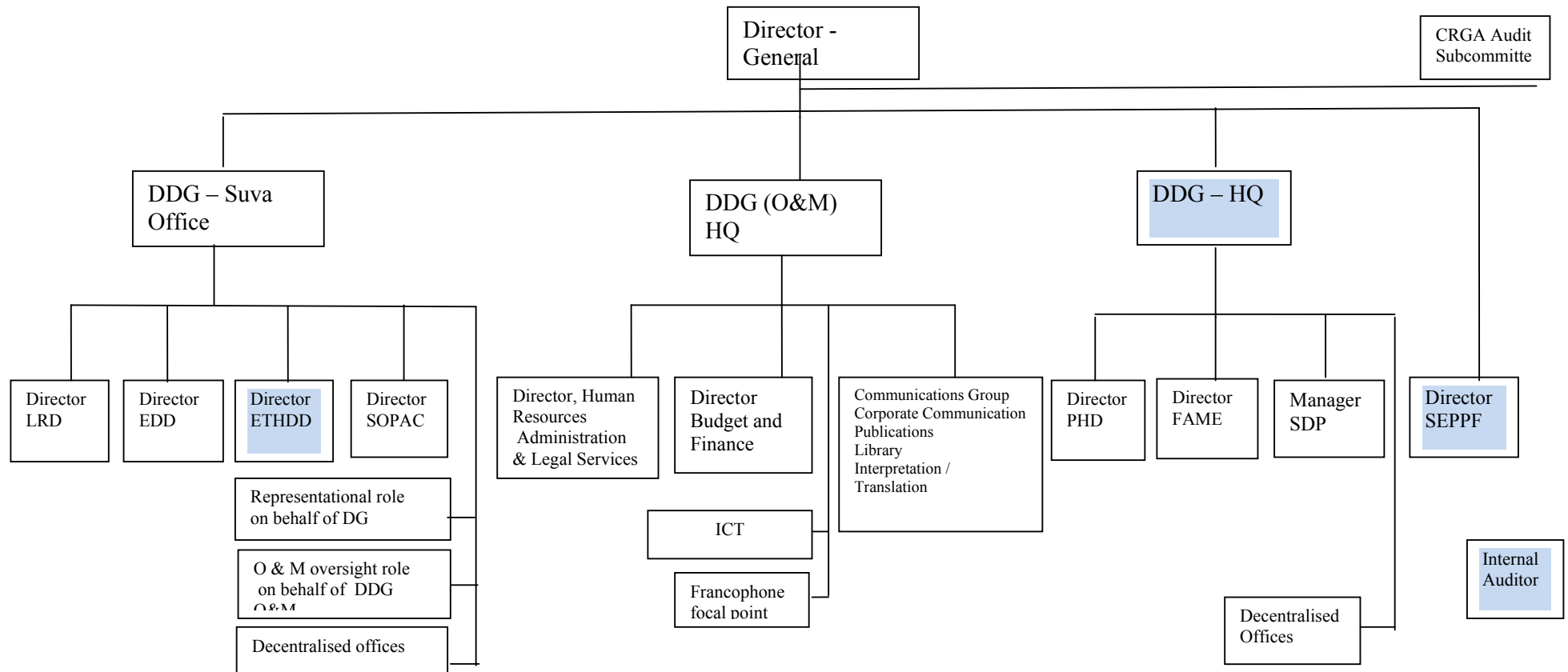
		<p>becomes critical. SPC has worked with CROP Heads to enhance coordination of services provided by CROP agencies to members and take advantage of opportunities for cross-organisational cooperation and efficiencies through sharing of resources and policies. Two examples among many are the establishment of the CROP Heads Subcommittee on climate change, and the CROP remuneration working group.</p> <ul style="list-style-type: none"> • <i>MOU with other institutions</i> – As one of many players in regional development, SPC recognises the role of other partners and works with them to achieve common objectives. In 2011, SPC accorded high priority to strengthening and formalising its partnerships with key national and regional institutions through signing formal Memorandums of Understanding (MOU) with: Australian Volunteers International (AVI), Australian Centre for International Agricultural Research (ACIAR), International Hydrographic Organisation (IHO), Pacific Aviation Security Office (PASO), Secretariat of the Pacific Regional Environment Programme (SPREP) and the University of the South Pacific. We anticipate signing MOU with the Pacific Power Association (PPA) and South Pacific Tourism Organisation (SPTO) during CRGA 41. These MOU outline shared principles and objectives and method of cooperation. The 2011 signings add to existing MOU between SPC and regional and international organisations including the Forum Fisheries Agency, World Health Organization, United Nations Children’s Fund and Western and Central Pacific Tuna Commission among others. • <i>‘Joint Partners in Health MOU’</i> – Entered into with the Government of Vanuatu and Government of Solomon Islands to improve alignment of SPC programmes with national priorities in the two countries. • <i>Quintilateral Group Mechanism in health</i> – An informal twice-yearly meeting of senior policy / decision makers in the health arena from AusAID, New Zealand International Development Group, SPC, World Health Organization and World Bank. The group acts as a ‘think tank’ for a small range of significant policy level issues including health governance, sector-wide approaches, health financing, etc. The group has commissioned research in a number of areas with the results being used to inform future directions in the health sector.
2	<p>Increased international advocacy and representation of the Pacific Islands region, and its countries and territories</p>	<ul style="list-style-type: none"> • <i>Legal and Technical Commission of the International Seabed Authority (ISA)</i> – Dr Russell Howorth, Director of SPC’s Applied Geoscience and Technology Division (SOPAC) has been appointed to the ISA. The ISA is mandated by 162 countries to manage the mineral resources of the international seabed beyond national jurisdictions. Dr Howorth’s appointment will ensure the interests of Pacific Island countries are addressed, particularly with the increasing interest in and potential for deep sea mineral mining among some SPC members. • <i>MOU with International Hydrographic Organization</i> – IHO is the body responsible for the final stamping and clearance of nautical charts for navigation. SPC’s SOPAC division develops bathymetry charts but they cannot be used for navigation until they are first certified and then stamped by IHO. The MOU provides an opportunity for SPC and IHO to work collaboratively to address the massive need to upgrade the nautical charts in practically all PICTs. Without updated nautical charts, cruise tourism will not be able to realise its full potential in the region. • <i>Global Fund</i> – active participation on the Board and working committees, including ad-hoc high level-working groups associated with the strategic reform agenda. • <i>United Nations General Assembly High-Level Meeting on Non Communicable Diseases (NCDs)</i>. Provided substantive input to the regional statement on NCDs and support for PNG’s statement presented during the summit.

3	Translating international requirements into regional and national frameworks that can be implemented and monitored	<ul style="list-style-type: none"> National Minimum Development Indicator (NMDI) database – Measuring development progress is a challenge in PICTs. Tangible progress has been made on this SPC-wide initiative. As of mid-September, indicator coverage stands at 60%, addressing 190 indicators across 10 themes. We also have a better understanding of where the real data gaps and black holes are, and thus a more realistic and facts-based appreciation of the magnitude of the task ahead in compiling a core set of statistics and indicators across sectors, as requested by Pacific Leaders in the Pacific Plan.
4	Translating development partner priorities into developmental opportunities for the Pacific Community	<ul style="list-style-type: none"> Supporting interventions that maximise economic development opportunities such as: better understanding of tuna stocks and migration patterns, through the tuna tagging programme; planning for the projected impact of climate change on future economic contributions by tuna fisheries; enhanced opportunities for cruise tourism through updating of maritime nautical charts for navigation; enhanced agriculture commodity export trade through improved bio-security services; increased potential for Pacific populations to contribute to economic development through reducing the incidence of non-communicable diseases.

Corporate objective 3		Strategic positioning of SPC
No.	Key initiative in the plan period	Performance against initiative
1	Enhancing SPC's strategic positioning through progressive organisational reform	<ul style="list-style-type: none"> SPC has undergone progressive change as a result of the regional institutional framework reform, the decentralisation policy and organisational restructuring with the aim of improved service delivery. The reforms are both corporate-wide as well as within divisions. SPC has embarked on several important initiatives to: assess/re-affirm its role in regional development; validate its core business and key focus areas as part of establishing its long-term, sustainable financing strategy; measure the impacts of its services at national level; and determine optimum governance arrangements and structures to further enhance service delivery to members. Many of these initiatives have started in 2011 and will be added to key deliverables for 2012.
2	Participating actively in the Regional Institutional Framework initiative	<ul style="list-style-type: none"> We achieved full and effective implementation of the integration of SPC, SOPAC and SPBEA in 2011. Much more work now needs to be done to realise the long-term efficiencies that will flow from RIF reforms.
3	Expanding SPC's capacity to provide policy advice by establishing a multi-sectoral team of senior advisers	<ul style="list-style-type: none"> This initiative focuses on the work of the Strategic engagement, policy and planning facility (SEPPF). This team provides invaluable support to SPC programmes and members through policy advice, research and direct service delivery. Major outputs for 2011 include publishing the comprehensive research study, <i>Vulnerability of tropical Pacific fisheries and aquaculture to climate change</i>, with a summary providing policy options for decision-makers in each of SPC's 22 island members; contribution to a report prepared for the Australian Government Dept of Climate Change and Energy Efficiency – <i>Food security in the Pacific and East Timor and its vulnerability to climate change</i>; development of an organisation-wide climate change engagement strategy; completion of JCS development for all 22 PICTs; and publication of <i>SPC and the Pacific Plan – volume 3</i>. CRGA paper 4.8 provides more details.

4	Sustaining excellence of service through a commitment to continuous improvement and realisation of the full potential of SPC staff to ensure optimal benefits for regional development	<ul style="list-style-type: none"> • Despite a substantial reduction in funding that led to the curtailing of a number of key services addressing PICT priorities, we remain focused on delivering excellent services in areas where we have the resources needed to assist island members.
5	Maintaining SPC's service capability through seeking further funding opportunities	<ul style="list-style-type: none"> • PICTs value the services that SPC provides in all the sectors it works in. A challenge in 2011 has been to make the hard choices between which services to curtail and which ones to continue. It is important we receive guidance from members on this. • We had some success in mobilising additional project resources in 2011 in a number of areas including from members (Australia and USA) and non-members, in particular the European Union, Global Fund and Tuna Commission. Many other contributors are shown in Annex 4.1 and Annex 4.2 of the 'green book' – the 2012 SPC budget.
6	Building SPC's profile through a greater focus on marketing the organisation	<ul style="list-style-type: none"> • We are updating the SPC corporate DVD. Some divisions are also developing division specific DVDs. • We are developing country profiles presenting the services that SPC provides for each member – the presentation will be reviewed for the 2012 member profiles. • The publication, <i>SPC and the Pacific Plan</i>, provides details on how SPC's work contributes to achieving the Pacific Plan.

Annex 5 to Director-General's 2011 Overview report – Proposed SPC organisational structure (2012)



DDG Suva office – Deputy Director-General, (Programmes), Suva Office
 DDG HQ – Deputy Director-General, (Programmes), Headquarters (Vacant)
 DDG (O&M) HQ – Deputy Director-General, Operations and Management, Headquarters
 SDP – Statistics for Development Programme
 SEPPF – Strategic Engagement, Policy and Planning Facility
 O & M – Operations and Management

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
 SOPAC-Applied Geoscience and Technology Division

Annex 6 to Director-General's Overview Report – Draft Terms of Reference

Independent Review of the Secretariat of the Pacific Community

A. Introduction

1. The Secretariat of the Pacific Community (SPC) has reached a new stage of development in 2011 with major changes to the scope of its work resulting from implementing the revised regional institutional framework (RIF). SPC is now a 'new organisation' following the integration of the work programmes of two previously stand-alone organisations – SOPAC (Pacific Islands Applied Geoscience Commission) and SPBEA (South Pacific Board for Educational Assessment). The new SPC aspires to uphold the best of its former self enriched with the best of SOPAC and SPBEA.
2. Under this new arrangement, SPC aims to continue providing the optimum level and quality of services to members for the most beneficial impact possible at the national level across all the sectors SPC works in.

B. Background and context

3. *Nature of the organisation* – SPC is a technical assistance, training and research organisation that serves 22 Pacific Island countries and territories (PICTs) and operates in two official languages, English and French. SPC's headquarters is in Noumea, New Caledonia, and it has regional offices in Fiji and the Federated States of Micronesia and a country office in Solomon Islands. In addition, host country agreements with Marshall Islands, Palau, Tonga and Vanuatu enable deployment of small project teams and placement of individual project staff in relevant ministries and departments in these countries as determined by their national priorities.
4. *Organisational governance* – SPC's governing body is the Conference of the Pacific Community, which meets every two years. In years that the Conference does not meet, the Committee of Representatives of Governments and Administrations (CRGA), a committee of the whole of Conference, meets to decide on SPC's work programme and governance issues. Conference is charged with establishing the policies and regulations of the organisation, either on its own behalf or in response to recommendations for change submitted by the secretariat through CRGA. CRGA has two principal roles: oversight of SPC's technical programme delivery (a programmatic role) and oversight of SPC's governance, policy and operational and management mechanisms (a governance role). The Director-General is the chief executive officer of SPC and has full responsibility and authority to lead and manage SPC within the guidelines and policies established by Conference and CRGA.
5. *Drivers of change* – Over the past six years, a number of major drivers have had impacts on SPC's work and its role in the region. They include the 'Pacific Plan for strengthening regional cooperation and integration' (2005), which provides a framework for regional development priorities; the 'Cairns Compact on strengthening development coordination in the Pacific' (2009); the RIF reforms (2006–2011); and the increasing role that SPC has been asked to take in cross-cutting priorities such as food security, climate change and the Millennium Development Goals.
6. *Growth with change* – Since the last external review of SPC in 2005, its work programme has grown in scope and complexity. Its budget, staff numbers and offices have also grown during this period. The expansion of the work programme and staff numbers, and much of the increase in the budget are the direct result of implementation of the RIF reform and as such do not constitute real growth, but rather a 'repackaging' of the services, staffing and budgets of three previously separate organisations. The growth in the number of offices is a result of implementing the decision by the

2005 SPC Conference to decentralise the organisation and delivery of services beyond its Noumea headquarters and Suva regional office.

7. *Members' expectations* – With the recent growth in SPC's portfolio of work at the regional level, the members of the Pacific Community and development partners need to be confident that the work of SPC remains relevant to the priorities of members and is addressing them effectively. They also need to be confident that the results of SPC's work provide 'value for money' at national level and contribute to the achievement of PICT national development outcomes. In addition, services must be delivered in the most effective and efficient manner.
8. *Prioritisation of services to members* – SPC services are driven by members' priorities. The principal mode for agreeing on the priorities that SPC will address for each member is the joint country strategy (JCS). To develop the JCS, each member and SPC consult and agree on priorities that SPC will deliver on over a number of years in the sectors it works in. We now have 20 JCSs with the final two (Papua New Guinea and New Caledonia) to be completed this year. We have also begun reviewing the JCSs that were first developed. In addition, regional technical meetings (ministers and officials) and visits by members of the executive and senior programme staff to member countries and territories assist in validating JCS priorities. Finally, the prioritisation process takes into account political decisions at the Forum Leaders' level and the decisions of SPC's governing body – Conference and CRGA.
9. *Work programme coverage* – SPC's work programme currently covers the following sectors: agriculture, aquaculture, culture, education, energy, fisheries, forestry, geosciences, health, information and communication technology, infrastructure, media development, transport (maritime and aviation), statistics and demography, water and sanitation, youth, and cross-cutting themes including climate change, disaster risk reduction, food security, gender, human rights and policy analysis and advice.
10. *Mode of service delivery* – Services in all these sectors are mainly delivered through six technical divisions: Applied Geoscience and Technology (SOPAC), Economic Development (EDD), Education, Training and Human Development (ETHDD), Fisheries, Aquaculture and Marine Ecosystems (FAME), Land Resources (LRD), Public Health (PHD), and the Statistics for Development programme (SDP). The divisions are supported by the strategic engagement, policy and planning facility (SEPPF), and the operations and management directorate comprising human resources, administration, finance and programme support services.
11. *Contribution of SPC's work to higher development outcomes* – The aim of SPC's work programme in all the above areas is to contribute to the following three key development outcomes at the national level: sustainable economic development, sustainable human and social development and sustainable natural resources management and development.
12. *Impact of RIF reforms on SPC* – Organisationally, the most immediate result of the RIF reform has been overall growth of SPC in terms of the scope and coverage of work programmes, budget, number of staff, and location of offices. Geographically, much of the actual growth resulting from the integration of SPBEA and SOPAC has occurred at the Suva regional office where SPC now has offices in eight different locations. From a corporate point of view, areas of impact have included organisational governance and structure; synchronisation of systems, processes, rules, procedures and regulations; and the merging of three separate institutional cultures into one.
13. *Early wins from RIF* – From a service delivery point of view, opportunities provided through RIF reforms are enabling practical joint programming approaches. From a corporate point of view, SPC is already realising significant early wins in harmonising finance, IT, HR and administration systems. More benefits are anticipated with further consolidation of the integration of the three organisations.

C. Previous reviews

14. SPC has undergone a series of organisational and programme-specific reviews since it began. Some of the reviews were commissioned by the secretariat or its governing body, others by members and donors, e.g. the following reviews have been conducted since 1996:
- a. Corporate-wide reviews
 - i. 1996 SPC corporate (organisational) review
 - ii. 2005 SPC corporate (organisational) review
 - b. Member-initiated reviews
 - i. 2001 AusAID independent review
 - ii. 2008 ANZ joint triennial review of ANZ support to regional organisations. This review involved all CROP (Council of Regional Organisations in the Pacific) agencies including SPC.
 - c. External reviews of SPC programmes
 - i. 1999 Library Services
 - ii. 2000 Community Health Programme
 - iii. 2001 Oceanic Fisheries Programme
Pacific Women's Bureau
 - iv. 2002 Regional Media Centre
 - v. 2003 Land Resources Division
Finance review
Regional Maritime Programme
Population and Demography Programme
Coastal Fisheries Programme
 - vi. 2004 Pacific Youth Bureau
 - vii. 2005 Cultural Affairs Programme
 - viii. 2006 Public Health Programme
 - ix. 2011 Corporate and programme support services
 - d. Reviews relating to organisational mergers and the RIF reforms involving SPC
 - i. 2000 SOPAC–SPC integration study
 - ii. 2006–2009 Various reviews related to RIF reform
 - e. Review of SPC's core business
 - i. 2010 KVAConsult – Long-term sustainable financing strategy for SPC:
Part 1 – Core business
 - f. Donor requirement reviews
 - i. 2002 Global Fund Institutional Assessment
 - ii. 2005 Global Fund Institutional Assessment [new grants]
 - iii. 2007 Global Fund Institutional Assessment [new grants]
 - iv. 2009 Global Fund Institutional Assessment [new grants]
 - v. 2007 EU Institutional Assessment
 - vi. 2011 EU Institutional Assessment

D. Objective of the proposed review

15. To examine the effectiveness and efficiency of the services that SPC provides to its Pacific Island members, and make recommendations to improve the organisation's focus, mode of delivery, governance, measurement of results and financing.

E. Scope

16. The review will examine SPC's current provision of services to its Pacific Island members and propose the focus and direction of its future services provision. In particular, the review will:

a. *Examine the effectiveness and efficiency of current SPC services provided to island members in relation to –*

- the core functions in the SPC 2007–2012 corporate plan and consistency of the work programme with the decisions of the SPC governing body (CRGA and Conference); relevant decisions by Forum Leaders, including the Pacific Plan and Cairns Compact; and national priorities contained in each member's national sustainable development plan;
- the 'value for money' of these services in terms of results, outputs and impacts that contribute to national development outcomes;
- the mode of service delivery and complementarity of SPC services with those delivered by other providers, nationally, bilaterally, regionally or multilaterally;
- the sectors covered and mechanisms for prioritisation of the services to be delivered.

b. *Recommend the future focus and strategic direction of SPC's long-term core services and, building on the work done under the guidance of the CRGA subcommittee on the long-term sustainable financing strategy³ and noting the desired outcomes of the RIF reform process, identify –*

- which sectors and services regarded as essential by individual members does SPC add value to, and is best placed to engage in;
- which sectors and services should SPC not engage in, either because they are areas of lower priority, SPC does not have a comparative advantage in these areas, or the services can be delivered more efficiently through other means (e.g. bilaterally or by other partners);
- a prioritisation process, including criteria, to determine which sectors and services SPC should agree to engage in, in future.
- the optimum mode of future service delivery to members.

c. *Consider the optimum long-term financing model to support the delivery of SPC's core services –*

- Examine current funding modalities for SPC's regional services and propose options for future funding models to support the delivery of SPC's long-term core services.

d. *Assess SPC's monitoring and evaluation framework for measuring results, outputs and impacts and where possible outcomes, by examining –*

- SPC's current approach to measuring the efficiency and effectiveness of its services and whether or not current systems, policies and procedures maximise efficiency and effectiveness;
- SPC's existing monitoring and evaluation approach/performance framework for measuring results;
- SPC's existing provisions for risk and fraud management.

e. *Consider the ideal organisational governance arrangements and structure to support optimum service delivery to island members by examining –*

- the effectiveness of SPC's current governance arrangements and organisational structure to support service delivery to Pacific Island members;

³ The work to determine SPC's core business is expected to be completed by December 2011. The results will feed into the independent external review.

- the efficiency of SPC's current service delivery model including its network of decentralised offices;
- existing partnership arrangements with other regional and international organisations and the mechanisms for coordinating these relationships.

Method / Approach

17. The review will combine various approaches including a desk review and consultations. The desk review will be coordinated by a TA (technical assistant), who will support the review team, and collect relevant documentation (mostly from SPC sources) including previous review reports.
18. Subject to resources and time, the review team will consult extensively across the whole SPC membership including visits with member governments, relevant national stakeholders, development partners, and other regional and international organisations that SPC works with. The review team may wish to develop appropriate instruments to facilitate information gathering and analysis.

F. Duration

19. The review will be conducted between November 2011 and April 2012 with the target completion date being end of April 2012.

G. Review team

20. This is a high-level review of SPC that will consider its broader role in regional development (particularly as a result of the RIF reforms), its strategic direction and core business, programme coverage and service delivery, decentralisation and programme location, operational, financial and management matters, performance management systems, and the relevance, efficiency and effectiveness of the services it delivers to its Pacific Island members. The review will be conducted by a team with the requisite mix of expertise and skills. Its members will be announced as soon as the full team is assembled.

H. Management arrangements

21. The review team will be supported by a dedicated TA (not a member of the secretariat) who is answerable to the review team leader.
22. The secretariat will assist the review team with travel logistics and setting up appointments for consultations.

I. Taking the review findings and recommendations forward

23. Following the completion of the review, the secretariat will circulate the final report and its response to members for their initial information.
24. The CRGA subcommittee on the long-term sustainable financing strategy will be convened in July 2012 to consider:
 - a. the findings and recommendations of the review
 - b. the secretariat's response to the review findings and recommendations
 - c. the draft outline of SPC's new corporate plan
 - d. the draft outline of the long-term sustainable financing strategy
 - e. the draft outline and parameters for the 2013 budget

25. The outcome of the proposed July 2012 meeting of the long-term sustainable financing strategy subcommittee will provide direction to the secretariat on the completion of three key strategic documents to be tabled for consideration at CRGA 42 in November 2012 – the corporate plan for 2013–2017, the long-term sustainable financing strategy and the 2013 budget.
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