



## OUTCOME

**Meeting of  
CRGA Subcommittee on Strategic Plan Implementation  
30 November–1 December, 2016  
Pacific Community, Suva, Fiji**

### OPENING

1. The CRGA Subcommittee on Strategic Plan Implementation (subcommittee) held its second meeting at SPC's regional office in Suva, Fiji, 30 November–December 1, 2016. The meeting was chaired by New Caledonia, as the intended Chair – Cook Islands – sent their regrets. The meeting was attended by the following member countries and territories – Australia, Federated States of Micronesia, Fiji, France, French Polynesia, New Caledonia, New Zealand, Niue, Papua New Guinea, Tonga, and United States of America – and also by representatives of the European Union and senior executives and staff of the secretariat led by the Director-General.

### AGENDA ITEM 1:

#### **FOLLOW-UP OF CRGA 46 DECISIONS AND MAY 2016 CRGA SUBCOMMITTEE MEETING**

2. The main objectives of the meeting were to (i) review the 2017 Pacific Community budget and draft a recommendation for CRGA; (ii) discuss the draft Terms of Reference for CRGA and other SPC governance mechanisms and agree on key actions; (iii) provide advice on the SPC prioritisation process; (iv) discuss the findings of the 2016 Mid-year Reflection Report and provide advice regarding the findings of future reports; (v) provide feedback on the results of the analysis re: testing the link between the Strategic Results Framework and divisional Business Plan results frameworks; and (vi) review the TOR of this subcommittee to determine whether they should now include the additional area of budget on a permanent basis or whether other options may be more suitable. Other key objectives for the meeting were to discuss governance training at CRGA and agree on meeting dates for the next CRGA Subcommittee meeting. At the request of the Director-General, the agenda on Day 1 was revised to include an address by the European Union's Ambassador for the Pacific to clarify EU auditing systems and potential implications for SPC.

### AGENDA ITEM 2: 2017 SPC BUDGET

#### **2A: 2017 REVISED BUDGET**

#### **2B: REPORT FROM THE ARC ON THE 2017 BUDGET**

3. The secretariat presented the revised 2017 budget to the CRGA Subcommittee for endorsement in accordance with the following decision made at CRGA 46:

*178. CRGA:*

- ii. agreed that revised budgets be submitted to the Audit and Risk Committee for review and approval in November before being submitted to the CRGA Subcommittee for Implementation of the Strategic Plan for endorsement, and then to all CRGA members for comment. Following this, the secretariat will compile and circulate all comments received to members for out-of-session adoption of the budget, with silence being taken as assent.*

4. **The revised 2017 budget is effectively a balanced budget.** With total income of 100.9 million CFP units and total expenditure of 100.83 million CFP units, the revised budget presents a small surplus of 67,000 CFP units. Total income is comprised of unrestricted (core) income of 20.68 million CFP units, combined with restricted and project funding of 80.22 million CFP units. The 2017 revised income projection represents an increase of 20.69 million CFP units (25.8%) compared to the original 2017 budget of 80.2 million CFP units.
5. As well as additional income, the secretariat identified unrestricted (core) savings in excess of 5.9 million CFP units primarily through undertaking an extensive prioritisation exercise across all programmatic and administrative divisions.
6. The paper presented on the 2017 revised budget draws the CRGA Subcommittee's attention to a projected deficit of 3.8 million CFP units in 2018 and 5.2 million CFP units in 2019.
7. The secretariat is committed to addressing the projected 2018/19 budget deficits through raising the resources necessary to fund both the requirements of the Pacific Community Strategic Plan 2016–2020 and any new or emerging priorities. To this extent the 2017 revised budget provides dedicated funding to support resource mobilisation activities.
8. The secretariat noted risks and challenges for the revised 2017 budget, including: the critical need to execute project funding to the level of the budget within the constraints of decreased capacity; currency volatility; member arrears; and spill-over of redundancy-related restructuring costs into 2017.
9. In accordance with the CRGA 46 decision, the Audit and Risk Committee (ARC) met on 2 and 3 November to review the revised 2017 budget. ARC presented its findings, calling the revised 2017 budget *admirable though not comfortable*, and made a recommendation that the subcommittee endorse the 2017 budget to CRGA for adoption, which they said under the circumstances was the budget SPC needed to have for 2017.
10. To address subcommittee members' concerns regarding the deficits projected for 2018 and 2019, the secretariat committed to reporting back to the CRGA Subcommittee and full CRGA 47 on concrete measures to be taken in deficit management.
11. CRGA Subcommittee:
  - i. noted the revised 2017 budget and endorsed the actions that the secretariat has implemented to ensure adherence to the principle of maintaining balanced budgets;
  - ii. considered the report and recommendations of the Audit and Risk Committee;
  - iii. endorsed the revised 2017 budget and recommended its submission to all CRGA members for comment and out-of-session adoption;
  - iv. noted the ongoing budgetary deficit situation for 2018 and 2019, which the secretariat is actively addressing.

**ADDITIONAL AGENDA ITEM:**

**ADDRESS BY EU AMBASSADOR TO THE PACIFIC ON AUDITS OF PAST SPC PROJECTS**

12. The Director-General invited the EU Ambassador for the Pacific, Andrew Jacobs, to address the subcommittee with regard to a recent SPC communication in which the Director-General informed members of the potential implications for SPC of ongoing audits of SPC projects being undertaken by the EU. Ambassador Jacobs sought to clarify official EU auditing practices and potential consequences for SPC, which currently manages EUR 150 million in project funding. Ambassador Jacobs noted that while audits may involve a recovery of funds, the EU is committed to its relationship with SPC and supporting SPC

throughout this process to reduce repayments to a reasonable sum where possible – e.g. providing training support. Ambassador Jacobs noted that a current process to assess whether SPC's procedures are robust enough to manage EU funds is going well.

13. The subcommittee appreciated Ambassador Jacobs's overview of its audit procedures and emphasised the importance of SPC strengthening its internal procedures. It also proposed that future communications on this process be delivered jointly by SPC and the EU. The EU and the secretariat agreed to the latter proposal, and the secretariat noted that it has established a dedicated unit to assess and improve its internal procedures – e.g. procurement, policies, documentation, reporting. The subcommittee expressed concerns over potential recovery costs resulting from the retrospective audits not forecast in the 2017 budget. The secretariat reiterated that it is working proactively and in collaboration with the EU to minimise the impact.

**AGENDA ITEM 2: 2017 SPC BUDGET**  
**2C: OPERATING CURRENCY**

14. CRGA 46 (at paragraph 19 (vi.)) *authorised the secretariat to analyse and make recommendations on the most appropriate operating currency for SPC.* The secretariat has commenced a critical financial system enhancement that will, for the first time, integrate all of the Pacific Community's geographically diverse operations into a 'one-SPC' structure. In order to facilitate this change, a decision was needed on replacing the various reporting currencies currently in use with a single unit of account/operating currency.
15. Following authorisation at CRGA 46, the secretariat undertook a thorough analysis to determine the most appropriate operating currency for SPC. The secretariat presented the case for moving SPC to a single operating unit of currency – namely the Euro. It noted that this would greatly simplify accounting and that the Euro is more easily translated, understood and internationally recognised than the Pacific Franc (CFP). It also reminded the subcommittee that a significant amount of SPC project funding comes from the EU. Lastly it addressed the issue of regional harmonisation, noting that while currently there is no consistency across CROP agencies, a move to the Euro would not preclude a second change should harmonisation become an important issue in the future. The USA noted that it approved the plan, but would have preferred a more in-depth cost-benefit analysis. The secretariat said it would take this under advisement, noting that while difficult to quantify future benefits, they will look at where this move helps to drive efficiencies, and mitigate against any unanticipated negative consequences.
16. CRGA Subcommittee:
  - i. agreed to recommend to CRGA that the secretariat be authorised to adopt the Euro as SPC's formal unit of accounting/reporting currency from 1 January 2017.

**AGENDA ITEM 2: 2017 SPC BUDGET**  
**2D: FULL COST RECOVERY**

17. Following the submission of a paper on sustainable financing for SPC submitted to CRGA 46, the secretariat seeks to continue the discussion with members regarding the status of planned full cost recovery (FCR) initiatives that have been implemented and are planned to be implemented in future budget years. Understanding and support from members for such changes are critical to the successful transition to an improved cost allocation and recovery structure within SPC that would deliver increased discretion around the allocation of limited, unrestricted (core) income.
18. The secretariat explained that all international organisations are facing the challenge of moving away from being primarily core-funded to a complex mix of funding and that the situation is further compounded by chronic underreporting of true indirect costs by non-profit organisations, which has led to inconsistent and

inadequate levels of project management fees (PMF) from international development partners. The secretariat explained that this shortfall of recovery of indirect costs means that projects are being subsidised by unrestricted (core) funding. SPC presented its plan to roll out a three-year program to reconstruct internal practices to move towards a more clear and modern cycle of costing and cost recovery with a view toward financial sustainability and transparent reporting. FCR has already begun for ICT, and will be an iterative process for other sections, with the intent that FCR will be fully implemented in three budget cycles. The secretariat also noted its plan to negotiate a 15% PMF for all new agreements signed, which will require continued dialogue and education. The secretariat noted that the FCR discussion is ongoing and will be revisited at future subcommittee meetings.

19. CRGA Subcommittee:

- i. endorsed the actions outlined by the secretariat to progress the implementation of enhanced full cost recovery practices and procedures within SPC.

**AGENDA ITEM 3:  
SPC PRIORITISATION PROCESS**

- 20. The Pacific Community (SPC) has completed the first phase of its prioritisation process, having reviewed all of its existing activities against the objectives of the Pacific Community Strategic Plan 2016–2020. The process was undertaken by all programme and support service areas across SPC.
- 21. The outcome of the prioritisation process embeds the strategic positioning of SPC as the lead scientific and technical agency for the region. The findings highlighted key areas and themes that SPC will focus on in each sector, while identifying specific activities that it will move away from. However, it also highlighted the need for continued change to SPC's business and operating model for future sustainability and effectiveness.
- 22. Staff impact was kept to a minimum, with 10 redundancies and 24 non-renewals of contracts.
- 23. The second phase of the prioritisation process, over the course of 2017, will take the results from this first phase, and consider whether there are opportunities for further improved synergies, greater focus, and more streamlining across SPC, as well as cooperation<sup>1</sup> with other regional and international organisations.
- 24. The secretariat presented on the aims, processes, impacts and outcomes of the first phase of prioritisation. It was noted that while the process was necessarily tied to addressing the deficit and conducting internal consultations and reviews, it was also about reflecting on the environmental context, identifying SPC's strengths and sharpening its focus to align with the Strategic Plan as well as broader regional initiatives. The secretariat noted that moving forward, prioritisation will become an integral and ongoing part of SPC culture.
- 25. The secretariat reported that as a result of prioritisation it was able to cover the 5.6 million projected deficit for 2017, as well as reallocate funds to areas determined to be priorities identified through the process. The subcommittee acknowledged that the process has been challenging, particularly with regard to redundancies, but were pleased the negative impact on staff was minimised relative to the organisation's size.
- 26. The aim is by the end of 2017 the secretariat will be able to report back to its members on a recreated palette of SPC activities and programmes that reflect priority areas and emerging areas of excellence. The secretariat will present a paper at CRGA 47 on the potential shape and scope of SPC in the mid-term. The secretariat noted that the subcommittee will play an important role in this ongoing process, and that its preference is to implement an evolutionary as opposed to a revolutionary cultural change.

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<sup>1</sup>Coopetition is a recognized term used to describe cooperative competition, introduced at the meeting as a word that captures the Pacific spirit of collaboration.

## 27. CRGA Subcommittee:

- i. noted the outcomes of phase one of the prioritisation process, as set out in this paper;
- ii. noted that staff impact was minimised as much as possible, but that there were 10 redundancies and 24 end-of-contracts in areas identified as low priority;
- iii. noted that the prioritisation process has re-emphasised the importance of SPC improving its business model through full cost recovery and improving project management and execution rates;
- iv. noted the significant savings achieved through the prioritisation process and other internal measures to balance the 2017 budget and reduce the projected 2018 and 2019 deficits;
- v. noted that phase two of the process will build on the first phase, and will explore opportunities for further strengthening synergies, focus, and streamlining across SPC and beyond, in collaboration with other regional and international organisations.

**AGENDA ITEM 4:  
SUBCOMMITTEE ADMINISTRATIVE MATTERS**

28. Following a recommendation from SPC's Governance Review that members participate regularly in governance training to improve their ability to perform their governance function, a one-day governance training was held and run by an external consultant prior to CRGA 46 in June 2016.
29. During this session the evaluation of the 2016 governance training was shared with the subcommittee and they were invited to share ideas of what they thought would be useful in terms of training before CRGA 47 in July 2017. Overall the subcommittee felt more information on technical rules and regulations would be beneficial, particularly for new members. The subcommittee proposed that one way to maximise the value of the day and to enable new members to learn from more experienced delegates would be to create opportunities and spaces for exchange and dialogue.
30. The Director-General thanked the subcommittee for their feedback on governance training held prior to CRGA 46 and agreed to reshape its design for the next CRGA based on this and any further feedback from the subcommittee offline.
31. The Director-General reviewed dates and events for CRGA 47, Tenth Conference of the Pacific Community and the 70th anniversary, to be held the week of 23 July 2017.
32. CRGA Subcommittee:
  - i. agreed the next meeting of the CRGA Subcommittee would be held the week of 19 June 2017.

**AGENDA ITEM 5:  
ALIGNING THE STRATEGIC RESULTS FRAMEWORK (SRF) AND SPC BUSINESS PLANS**

33. This session responded to the request from this subcommittee at the May 2016 meeting for the secretariat to test the new Strategic Results Framework (SRF) in terms of how the SRF: 1) connects to divisional-level results frameworks; 2) will be resourced; and 3) can reflect the Sustainable Development Goals (SDGs).
34. Results Frameworks (RFs) have been developed for over half of the sections across SPC. The remaining sections will complete the RF development upon revision of their business plans based on prioritisation outcomes and other review processes. SPL will review the RFs in preparation for end-year results reporting.

35. To support performance monitoring against the Pacific Community Strategic Plan (PCSP), the secretariat has established MELnet, an internal Monitoring, Evaluation and Learning (MEL) community of practice. MELnet is taking the lead in implementing SPC's performance management system – Planning, Evaluation, Accountability, Reflection and Learning (PEARL) – including the SRF. Currently there are 38 members of MELnet, including MEL Advisors, MEL focal points and other staff with an interest in sharing evaluative thinking and practices.
36. The secretariat presented on links between divisional business plans, the SRF and the SDGs that enable telling a 'one-SPC' results story.
37. The subcommittee provided feedback and suggestions to help the secretariat strengthen the process and consider broader linkages. They emphasised the importance of ensuring the results reported are relevant, linked to impact, and in a language that is accessible and meaningful to a broad audience. They pointed out the need for robust methodologies that result in reliable and informative data on SPC's overall performance, and the importance of having dedicated MEL focal points in each division.
38. CRGA Subcommittee:
  - i. were satisfied with the secretariat's progress in testing the Strategic Results Framework (SRF) and its links to the divisional results framework.

**AGENDA ITEM 6:  
MID-YEAR REFLECTION FEEDBACK**

39. Throughout 2016, SPC has taken an adaptive approach to implementing the Planning, Evaluation, Accountability, Reflection and Learning (PEARL) performance management system, incorporating the outcomes of important internal reform processes, including prioritisation, business planning, performance improvement reviews, and the specific individual needs of each section.
40. Guided by the PEARL, MEL focal points within each section designed and implemented reflection processes to suit the needs, priorities and commitments of their sections. These processes informed the development of mid-term reflection reports.
41. Eleven mid-term reports were presented to the Senior Leadership Team (SLT) for discussion. In synthesising the reports, six key overarching lessons were considered:
  1. Overall key challenges identified tend to be developmental rather than technical.
  2. We have a track record at convening and rapporteuring meetings, but we need to improve our reporting on what is being achieved by the meetings.
  3. There are good examples of sections analysing context and adapting their work with interesting results. These are relevant and shareable with others in the same contexts.
  4. There are good examples of some sections using evidence to establish baselines to better understand SPC's achievements.
  5. There are instructive approaches being developed related to capacity development and ownership.
  6. We seem to be learning as much from what is not working as from what is working.
42. There is significant work being implemented by all divisions/programmes in service of assisting Pacific Island countries and territories (PICTs) to achieve their development goals and to meet SPC's organisational objectives. The secretariat will need to continue to strengthen SPC capacity to report on this work to ensure we are doing the right things in the right place at the right time.

43. The secretariat presented to the subcommittee on how it applied the PEARL to collect, synthesise and analyse performance information at the mid-term in order to provide a full year results report to CRGA 47 on the progress in implementing the Pacific Community Strategic Plan.
44. The secretariat explained that reflection and reporting processes were tailored to each division, and that 90 per cent of divisions took part, surpassing the expected participation rate by 15 per cent, which they noted is a result in itself. They explained that in the midst of this implementing stage the process is about learning from the reporting itself, and that more concrete results will be shared at the next CRGA Subcommittee Meeting and full CRGA 47.
45. The subcommittee reiterated the importance of ensuring the results are reported in a manner that is clear, concise, accessible, and relevant and meaningful to all members and high-level leaders who will be present at CRGA 47, who will not have had the benefit of attending this subcommittee meeting. They also said they would like to see progress on cross-fertilisation across and throughout divisions.
46. CRGA Subcommittee:
  - i. considered the reflection on performance against the Results Frameworks, including the process, lessons learned and key achievements across SPC at the mid-term of 2016;
  - ii. approved SPC's progress with improving results reporting processes at the mid-term of 2016;
  - iii. were satisfied with the methodology the secretariat is using to strengthen Monitoring, Evaluation and Learning processes to ensure future reporting is robust, clear and, as far as possible, meets the needs of members and development partners.

**AGENDA ITEM 7:  
CRGA TERMS OF REFERENCE – DRAFT NOUMEA DECLARATION 2017**

47. The Pacific Community Governance Review in 2015 considered that the Committee of Representatives of Governments and Administrations could benefit from new or improved terms of reference to clarify its mandate and authority.
48. The secretariat has identified that SPC's governance arrangements are extraordinarily complex with legal provisions, non-legal arrangements and general practice frequently conflicting with one another. The legal situation was set out in full in the secretariat's paper to the subcommittee on this agenda item.
49. In light of this complexity, the secretariat proposes that the most pragmatic approach would be to bring all governance provisions together in a single document, which would be adopted by a Resolution of the Tenth Conference of the Pacific Community in Noumea in July 2017. This Resolution would replace the Tahiti Nui Declaration and all other existing non-legal governance arrangements.
50. This approach has the additional advantage of centralising SPC's governance provisions in a single modern document. Moreover, this new resolution would clearly indicate that its provisions are an internal administrative arrangement as agreed between 'members' of the Pacific Community until such time as the Canberra Agreement is formally amended to align accepted administrative practice with treaty provisions.
51. The secretariat presented the concept of this Resolution, under the provisional title of 'Noumea Declaration', noting that the purpose of the session was not to go through the draft line by line, but for the secretariat to obtain approval from the subcommittee to move forward with developing this non-legal document to be approved by CRGA and adopted at the Tenth Conference of the Pacific Community in 2017.

52. The subcommittee noted the amount of work that had been invested in this initiative. They raised some concerns regarding the draft title, noting that it did not seem to accurately reflect the contents or nature of the document. The secretariat confirmed the title could be changed to more accurately represent the contents, and that subsequent consultations will be held.

53. CRGA Subcommittee:

- i. noted the rigorous work undertaken by the secretariat in the preparation of the draft Noumea Declaration for the Tenth Conference of the Pacific Community;
- ii. noted that the secretariat intends to consult all members on the draft Noumea Declaration before the meeting in July 2017, beginning early next year.

#### **AGENDA ITEM 8:**

#### **TERMS OF REFERENCE OF CRGA SUBCOMMITTEE ON STRATEGIC PLAN IMPLEMENTATION**

54. The secretariat raised the issue of whether the Terms of Reference (TOR) of the CRGA Subcommittee need to be amended to include involvement in budget oversight. It was noted in the current arrangement of the CRGA subcommittee, the Audit and Risk Committee is responsible for undertaking audits, checks and reflections, as well as some budget appraisal. The secretariat mentioned an option of creating a separate subcommittee dedicated to finance and budgeting. Having facilitated a broad discussion on the issue, the subcommittee Chair suggested the secretariat was well placed to respond the Director-General's proposal to present concrete options to the next subcommittee meeting.

55. CRGA Subcommittee:

- i. agreed to the Director-General's proposal that the secretariat would canvass and present options to the next CRGA Subcommittee meeting in June 2017 on its role regarding the budget.