



ELEVENTH CONFERENCE OF THE PACIFIC COMMUNITY
(21 June 2019, Noumea, New Caledonia)

AGENDA ITEM No. 3: The Director-General's Overview Report to Conference

(Paper presented by the Secretariat)

Summary

1. The Pacific Community (SPC) is well placed to face the challenges of the future. It has established priorities for the organisation and improved its financial outlook after an extended period of financial constraints. Recent independent reviews have confirmed that members value the work of the organisation, and are satisfied with the progress made by SPC. Reviews have identified areas for further improvement. A staff engagement survey confirmed high staff engagement, and tellingly, more than 90 per cent of staff are committed to its mission. Members have every reason to be optimistic about SPC and its future.

Recommendations

2. The Conference of the Pacific Community is invited to note:
 - i. the key achievements of the Pacific Community over the past two years, and the highlights during the term of the Director-General;
 - ii. my gratitude and pleasure in serving as Director-General of SPC, for the benefit of the people of the Pacific region.

The Director-General's Overview Report to Conference

Background

3. This is my final report to the Pacific Community Conference as the Director-General of the Pacific Community (SPC). It covers the period since the last SPC Conference in 2017 and a brief 'look back' at the big challenges and achievements during my term as DG commencing in January 2014. It has been an honour and a privilege to serve the people of our region and the stakeholders of this iconic Pacific institution. SPC faces many challenges ahead but it is well placed to continue to meet the development needs of the region.
4. I am confident that, in my time as Director-General, I have led a change and transformation process to reposition SPC firmly as the premier scientific and technical organisation for the Pacific region. The transformation process has clarified organisational direction and priorities, and strengthened its financial position. SPC is a strong brand, with well-qualified staff, well-established networks and partnerships, and supported by members and development partners. It is an immense pleasure to leave the organisation in a stronger position than when I started. The success of work is attributable to all staff and not merely the achievements of the Director-General. I wish to acknowledge in particular the work of the two Deputy Directors-General, and the Office Manager and Chief Advisor in the Director-General's Office.
5. When I assumed the role of Director-General in early 2014, the organisation had grown rapidly, with the then-recent merger of the South Pacific Applied Geoscience Commission (SOPAC) and the Secretariat of the Pacific Board for Educational Assessment (SPBEA) into SPC, but the change process was difficult and incomplete. More importantly, the financial outlook for SPC was extremely weak, and regarded by the Audit and Risk Committee (ARC) as the single-biggest risk for the organisation. Furthermore, SPC was facing significant and unforeseen financial risks for which it was unprepared; for example, in 2015 the European Union unexpectedly advised SPC of significant financial liabilities as a result of 'ineligible' expenses from projects that had closed several years earlier. It has taken the Secretariat more than three years to reduce this liability, and it is now under control.
6. The financial outlook for SPC was such that the organisation had to manage several years of recurrent budget deficits. Several measures were necessary, including the introduction of an internal efficiency drive and a dedicated resource mobilisation strategy. At the end of 2016, a small number of staff redundancies were necessary. Despite the recurrent budgetary constraints, SPC continued to provide the full range and levels of services expected by members. Throughout this difficult period, SPC made a strategic decision not to request an increase in members' assessed contributions. The 2018 financial year ended with a budget surplus of more than EUR 4 million, and we expect further budget surpluses in 2019 and 2020. SPC has every reason to be optimistic about its financial outlook, although the organisation remains vulnerable. CRGA 49 considered options for updating host country grants and enhancing member assessed contributions in order to ensure a sustainable financing regime for SPC.
7. Most SPC members pay their assessed contributions on time. However, despite the Secretariat's best efforts to ensure that contributions are paid promptly, a small number of members are in arrears, which does not help SPC's financial situation. SPC is owed EUR 1.8 million in respect of members' arrears as at 18 May 2019. We have implemented the procedure for arrears that was approved at CRGA 47, which places restrictions on the participation of affected members. The arrears situation of the Commonwealth of Northern Mariana Islands (CNMI) remains a chronic and intractable challenge for SPC, despite repeated efforts to secure a resolution. American Samoa is another member with

several years of arrears. CRGA and Conference are advised to reflect on the impact of restrictions on participation by some members, because this will affect the Pacific Community as a whole.

8. The Pacific Community Strategic Plan 2016–2020 (Strategic Plan) was endorsed by CRGA in 2015. The Strategic Plan established the strategic direction and priorities for the organisation. In 2014 we introduced the SPC Change and Transformation process, designed to lead to a truly 'One SPC', and we introduced better integrated programming and cross-divisional planning. While SPC has had a long history of service delivery, it had been highly sector-differentiated, with SPC's divisions and programmes delivering services to members largely independently of each other. The strategic objectives of the Strategic Plan included a multi-disciplinary approach to development challenges.
9. The Secretariat also introduced a prioritisation process as an integral part of the organisation's transformation. The prioritisation process, which began with SPC's financial crisis of 2015, has delivered greater clarity for staff in respect of our priority areas for further investment, and areas that SPC will not invest in further or will eventually exit. Ten areas have been identified for development, with two planned for development into world-class centres of excellence, consistent with SPC's mandate and comparative strengths. The Centre for Pacific Crops and Trees (CePaCT) is part of a global genetics resource dedicated to developing and distributing pest- and climate-resistant hybrids of Pacific staple crops, such as taro, kumara and bananas. The Pacific Community Centre for Ocean Science (PCCOS) was endorsed by Conference in 2017, to consolidate relevant ocean, marine and fisheries science activities at SPC. Several low-priority areas have also been identified, and SPC teams are working with member states and partners on alternative delivery arrangements for services in these areas.
10. A central part of the SPC change and transformation agenda is the introduction of the 'integrated programming approach' as the basis for the design and delivery of SPC projects and programmes in the future. This programming approach recognises that all development challenges are, by nature, complex and multi-factorial, needing an integrated response across a number of sectors, rather than a single-sector response. The adoption of the integrated programming approach within SPC represents a major investment in the culture of the organisation, where divisions previously worked predominantly within their own sectors. Progress on the implementation of the programming approach within SPC has been slower than anticipated, but the pace of change has picked up in the last year.
11. An important component of the programming approach is full knowledge and understanding of members' needs and contexts. The way to achieve this is, in part, through country programming, where SPC and individual members agree on the scope and focus of the work in the member state, clearly setting out the responsibilities of SPC and the member, informed by national development plans and SPC business plans. We have agreed on country programmes with Republic of the Marshall Islands, Papua New Guinea, Solomon Islands and Vanuatu. Discussions are underway for country programmes in Kiribati, Nauru and Tuvalu, and others will follow.
12. A Mid-Term Review (MTR) of the Strategic Plan was completed in 2018. The MTR, conducted by external consultants, confirmed findings from other studies showing the value of SPC providing support for the development needs of Pacific states. The MTR was positive about SPC's overall performance, effectiveness and efficiency, provision of technical advice, knowledge and information, capacity building and support for the application of knowledge and information at the country level. Areas identified for further development included the need for closer alignment with members' priorities, greater presence in countries, and better coordination, collaboration and communication by SPC and members. Respondents from countries were generally more positive about SPC's contribution

compared with regional representatives. MTR findings provides a valuable basis for the development of the new post-2021 SPC strategic plan.

13. SPC has a Memorandum of Understanding (MOU) with the University of Queensland (UQ), centred on joint research programmes and capacity building within the Pacific Community and its members. The UQ Centre for Policy Futures and the School of Economics has completed the SPC Futures Project as part of the joint SPC/UQ research programme. The key messages in the study were raised and reinforced by multiple interviewees, with relatively strong consensus on the strengths and weaknesses of SPC's culture, work programme, reputation and organisational structure. There were also various – largely complementary – insights relating to the opportunities for and threats to SPC in the coming decade. SPC's technical staff are very competent, and highly regarded across the region. They are SPC's core strength, and set SPC apart from other agencies. There is a need to ensure SPC continues to recruit and retain high-calibre technical and scientific staff. An external respondent stated that, "without SPC the Pacific Region would be in a much darker space". Areas for development and improvement were also identified in the study.
14. Reviews under the Performance Improvement Framework (PIF) have been completed with most of SPC's divisions. These reviews were led by external reviewers, and designed to test 'fitness for purpose' of the divisions. Review findings helped inform the strategic directions and priorities for each division, reflected in respective business plans. PIF reviews identified priority areas, member perspectives and resource requirements for each division. SPC would benefit from regular reviews and reflections such as these, to ensure that it continues to meet the priorities and expectations of its members. All divisions now have agreed strategic plans and priorities, and most of these have been endorsed by members. A 'whole of organisation' review appears to be desirable within the next two years, to assess the impact of the transformation agenda. A comparison with the findings from the 2012 Independent External Review (IER) would be informative.
15. SPC relies heavily on partnerships with other organisations that share our vision and objectives, especially agencies of the Council of Regional Organisations in the Pacific (CROP). The relationships between CROP agencies have improved markedly in recent times, and there is a strong sense of shared purpose and solidarity. Implementation of the decisions of Pacific Islands Forum Leaders, especially the Framework for Pacific Regionalism (FPR), is a key focus. While SPC's relationships with CROP agencies continue to improve, the nature of the regional architecture and funding models creates inefficiencies and challenges.
16. Our strategic partnerships with the Government of Australia and Government of New Zealand are working well. These relationships reflect the importance of these two SPC-founding members to SPC and to the Pacific region. In the last 12 to 18 months, SPC has received an additional NZD 50 million from New Zealand, directed at supporting regional priorities, and aligned with the New Zealand Government's priorities. A multi-year partnership is currently being negotiated with the Government of France. The Secretariat was pleased to host President Macron and Pacific Leaders in Noumea in 2018, where President Macron approved a number of measures supporting SPC's activities in the region. SPC and New Caledonia signed a strategic partnership in 2019. We were also pleased to welcome the contribution from the Government of Norway towards the Pacific Centre for Renewable Energy and Energy Efficiency (PCREEE). PCREEE was initially established with funding from UNIDO and the Government of Austria. The Secretariat is exploring a continuing partnership with the Government of Norway in the area of fisheries and oceans management. Similarly, the Government of Sweden contributed funding towards the Pacific European Union Marine Partnership (PEUMP) for fisheries management and ending violence against women and girls. The United Kingdom government has also contributed to our work on ending violence against women. Partnerships are crucial in our work, and

I am pleased that SPC has been able to secure new funders and partners to our region. We have placed a staff member in Paris to manage the relationship between SPC and European countries and institutions.

17. The Secretariat has continued to make considerable efforts – supported by the EU Delegation in Fiji – to reduce the amount of ineligible project expenses from EUR 6.4 million. It is pleasing to note that what was a significant financial risk for SPC has been brought under control, and provision has been made in our budget process to meet any residual costs. The latest estimate indicates that EUR 2.483 million in ineligible expenses remains, with EUR 1.866 million in expenses due to SPC but yet to be reimbursed by the EU. Accordingly, the residual amount for settlement is EUR 0.617 million, of which EUR 417,570 is owed by FFA to SPC for the SCIFISH project. The maximum ineligible expenses liability for SPC is approximately EUR 200,000. At a meeting between EU Commissioner Mimica and Pacific Leaders in Apia earlier this year, a submission was made by the Pacific Island Forum Leaders, on behalf of all CROP agencies, that all residual ineligible EU expenses be waived. The outcome of this request is pending. The negotiations for EDF11 are virtually complete, and it is pleasing to note that SPC will be responsible for implementing a large share (approximately EUR 130 million) of the regional funds.
18. In addition, the EU gave the Secretariat a positive assessment in relation to its Seven Pillar Assessment framework (internal control systems, accounting systems, independent external audit, grants and procurement, and sub-delegation and financial instruments). This positive result places SPC in a good position to further implement EU projects and to mobilise resources from other entities that hold EU Pillar Assessments as a standard that an entity must meet to be deemed a credible partner. A proposal is before CRGA for the EU to become a Permanent Observer at SPC, given its substantial contribution to development activities in the region. Conference is requested to endorse this decision.
19. The Pacific Fisheries Leadership Programme (PFLP) is a new SPC initiative, building directly on SPC's Pacific experience, networks and learning. A five-year New Zealand MFAT-funded programme, the PFLP works with 125 current and emerging leaders in the Pacific fisheries sector. The PFLP recognises how exercising leadership plays a critical role in enabling change and development, and how good leadership can create opportunities, leverage technical capabilities and enhance the impact of other technical programmes. The programme is managed by an SPC-led consortium, including the Pacific Islands Forum Fisheries Agency (FFA), the University of Queensland, and the Centre for Adaptive Leadership. The PFLP is a modular programme, tailored to the sector as well as to individual learners. As this is new work, MFAT and SPC are trialling an adaptive management approach to the PFLP, with an emphasis on iterative learning and continuous improvement.
20. A staff engagement survey was completed in late 2018, with a response rate of 78 per cent, which compared favourably with response rates of surveys in similar organisations. Overall, staff engagement was very good, at 75 per cent. Staff were proud to work for SPC, with well over 90 per cent of staff being committed to the mission of the organisation. Alignment and involvement, a positive work life balance, and strong management of SPC, received positive ratings by staff. Collaboration and communication, and recognition and feedback, were areas identified by staff as needing improvement. Divisions, with the assistance of our Human Resources team, are working to address the issues identified in the engagement survey.
21. SPC was successful in obtaining permanent observer status at the United Nations General Assembly in 2015. SPC was recently granted accreditation with the Green Climate Fund (GCF), which will enable SPC to assist members with their climate financing initiatives. These international developments enhance SPC's reputation in the global arena, and enable us to support members in their work with global entities. We are already experiencing increased demands from members for assistance with

their applications to the GCF.

22. SPC has undergone significant changes during my term as Director-General, as I have endeavoured to change the organisation's culture, improve its impact and performance, and establish a sustainable financing regime for the organisation. These changes have been implemented successfully without major structural change, with the exception of the merger between the GeoScience and Economic Development Divisions, to form the Geoscience, Energy and Maritime (GEM) Division. It is also worth noting that the geographic distribution SPC offices has not changed, despite significant changes in the operating environments in each state in which SPC staff are based. There is merit in streamlining the distribution of SPC offices to selected strategic locations in the region.
23. The development landscape in the region is complex, and resources are becoming more difficult to secure. The operating environment in some of our host country members has also become more challenging. Limitations on SPC's ability to operate efficiently, and ongoing resource constraints, require a strategic review of our current configuration and geographic distribution of SPC offices. We are seeking the support of members to explore decentralisation of selected SPC teams beyond existing locations. We will also consider all options with members to obtain the most effective configuration for SPC in the medium and longer term. Members are reminded that PCREEE was established in Tonga in 2017. Clearly, the cost-benefit profile of any change will be a critical factor in these decisions.
24. The region is a crowded development space, with no clear, coherent and agreed development plan for the region. The CROP agencies are responsible for progressing the priorities of the region set out by PIF Leaders and as informed by their own data and intelligence. UN agencies have undue influence through their size, presence and resources. International NGOs are usually motivated by single issues, and exert their influence through their global connections and resources. Despite assurances of cooperation and collaboration between agencies, competition is unavoidable. Agencies often compete for resources from the same small pool of donors.
25. Climate change is a cogent example of the challenges faced by Pacific countries and CROP agencies. While there is broad agreement on roles and responsibilities, agencies continue to face challenges over the detail around respective responsibilities and activities. Climate change is a critical and existential threat to lives and livelihoods in the Pacific, but the region has no clear articulation of the specific goals that are sought for the region. The Pacific would be better served if there were a clear and agreed plan on the way forward to addressing climate change threats. A shared plan and strategy would strengthen the mandates of individual CROP agencies. There are good lessons to be learned from the fisheries sector, where the division of labour is clearly established.
26. This situation is in large part due to the large number of agencies in the region and the lack of clarity on their mandates. The UQ study of SPC future scenarios suggests that the regional architecture could be simplified and resources dedicated to better supporting important and strategic areas of work. For example, a Pacific Centre of Excellence for Climate Change could be established at the Pacific Centre for Climate Change at SPREP, to include all relevant climate change activities in the region. Such a development would enhance leadership by the region, strengthen research activities and respond to the needs of Smaller Island Developing States (SIDS).
27. SPC is reconsidering how best to streamline its structure, including the optimum configuration and geographical location of its teams. The strategic review of future scenarios for SPC identified the Suva and Noumea divide as a potential drain on its effectiveness, although no clear solutions were offered. The study confirmed the value that SPC brings to the region, and identified areas for development to further enhance the effectiveness of the region's oldest and largest development organisation.

Recommendations

28. The Conference of the Pacific Community is invited to note:
- iii. the key achievements of the Pacific Community over the past two years, and the highlights during the term of the Director-General;
 - iv. my gratitude and pleasure in serving as Director-General of SPC, for the benefit of the people of the Pacific region.