

**FIFTIETH MEETING OF THE  
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**  
(17–19 November 2020, Virtual Meeting)

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**AGENDA ITEM No. 5: 2020 Revised budget**

(Paper presented by the Secretariat)

**Purpose**

1. This paper presents the 2020 revised budget and financial performance review as at June 2020, based on the 2020 revised budget.
2. It follows briefings on the revised budget provided to member missions in Noumea and Suva on 27 and 28 August 2020.

**Recommendations**

3. CRGA is invited to:
    - i. note the revision of the 2020 budget, which was primarily necessitated by the impact of COVID-19 on project implementation;
    - ii. note the financial performance review as at June 2020, based on the 2020 revised budget;
    - iii. recognise the critical role that timely payment of assessed contributions and host country grants plays in SPC's financial sustainability and the Secretariat's capacity to continue to provide services and programmes to members;
    - iv. urge members that have not yet paid their outstanding contributions to SPC to do so.
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## 2020 Revised budget and financial performance review as at 30 June 2020

### Summary

4. Paragraph 38 of the Pacific Community Governance Arrangement states, 'The Director-General revises the budget during the course of the year in line with the financial regulations. Any such revision aims to achieve a balanced budget or a surplus'.
5. This paper therefore presents the 2020 revised budget together with a financial performance review as at 30 June 2020, based on the 2020 revised budget.

### Introduction

6. The 2020 budget was approved at the Special Session of CRGA in November 2019.
7. In accordance with paragraph 38 of the SPC Governance Arrangement and in line with usual practice, the budget is revised over the course of SPC's financial year to reflect implementation and funding flows. In 2020, the budget has been revised, in particular, to reflect the impact of COVID-19.
8. The 2020 revised budget has a marginal surplus of EUR 0.29 million (initially balanced), with total income of EUR 77.28 million (originally EUR 90.02 million) and expenditure of EUR 76.98 million (originally EUR 90.02 million).

### 2020 Revised budget

9. The 2020 revised budget is based on lower implementation targets. These were primarily impacted by COVID-19, which in turn impacted recoveries such as project management fees. The slight increase in programme funding reflects continued execution based on divisional business plans.
10. The Secretariat draws CRGA's attention to the fact that reduced income, as shown in the revised budget, is not an indication of a decline in funding to SPC. SPC's accounting standards (IPSAS)<sup>1</sup> require recognition of income based on levels of execution. Therefore, the revised budget simply reflects the shift during the financial year of the actual level of implementation expected in 2020.
11. The marginal surplus reflects a reduction in net core expenditure, mainly relating to reduced travel, delayed onboarding of new staff and vacant positions.
12. Table 1 provides a summary of the 2020 revised budget with variances over the budget originally approved by the Special Session of CRGA in November 2019.

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<sup>1</sup> International Public Sector Accounting Standards.

**Table 1. 2020 Revised budget summary**

	Revised 2020	2020	Variance (Value)	Variance (%)
	(EUR million)			
Core income	16.31	16.34	-0.03	-0.16%
Project	52.30	65.08	-12.78	-19.64%
Programme	8.66	8.61	0.06	0.68%
<b>Total Project and Programme</b>	<b>60.96</b>	<b>73.68</b>	<b>-12.72</b>	<b>-17.26%</b>
<b>Total Income</b>	<b>77.28</b>	<b>90.02</b>	<b>-12.75</b>	<b>-14.16%</b>
Total Net Core Expenditure	16.02	16.34	-0.32	-1.95%
Total Expenditure – Programme and Project	60.96	73.68	-12.72	-17.26%
<b>Total Expenditure</b>	<b>76.98</b>	<b>90.02</b>	<b>-13.04</b>	<b>-14.49</b>
<b>Net Surplus</b>	<b>0.29</b>	<b>0.00</b>	<b>0.29</b>	

**Assessed contributions and host country grants**

13. The Secretariat draws members' attention to the fact that, as of writing, 11 member countries and territories remain in arrears in their assessed contributions for 2020 (and, in some cases, prior years). As a result, there is currently EUR 2.73 million outstanding (Table 2 details members' payment status).
14. Regarding host country grants, Vanuatu is currently the only country hosting an SPC office that has not yet paid the 2020 host country grant. The amount outstanding for host country grant is EUR 0.06 million.
15. As indicated at previous CRGA meetings, delays in payment of assessed contributions and host country grants have a direct impact on SPC's cash flow and on the Secretariat's ability to maintain services to the level expected by members.
16. The Secretariat requests that CRGA urge members to make timely payment of their member contributions or, for those members in arrears, to enter into a repayment plan with the Secretariat.

**Table 2. Status of members' contributions as at 29 September 2020**

Members paid in full	Members with 2020 contributions not fully paid	Members with arrears for 2019, and earlier
Australia	American Samoa	American Samoa
Cook Islands	Northern Mariana Islands	Northern Mariana Islands
Fiji	Papua New Guinea	Papua New Guinea
France	Solomon Islands	Solomon Island
French Polynesia	Federated States of Micronesia	
Marshall Islands	Guam	
Nauru	Kiribati	
New Caledonia	Palau	
New Zealand	Tuvalu	
Niue	United States of America	
Pitcairn Islands	Vanuatu	
Samoa		
Tokelau		
Tonga		
Wallis and Futuna		
<b>Total: 15</b>	<b>Total: 11</b>	<b>Total: 4</b>

## Financial performance review as at 30 June 2020

### Operating result

17. The net core operating result, without self-funding or full-cost recovered units (Housing, Canteen, ICT and Facilities) as at 30 June 2020 was EUR 1.61 million. The operating surplus was driven by the following major factors (Table 3).

**Table 3 - Variance analysis for operating result**

Description	Amount (EUR million)	Comment
Core expenditure	1.67	Savings arising from conservative exchange rates, Covid-19 induced delays in recruitment and replacement of staff, and CAPEX to be spent
Project management fee	(0.36)	Reflecting a decline in project and programme execution (refer below)
Core income	0.15	Marginal increase driven by interest earned on term deposits

18. The forecast surplus for 2020 is EUR 0.29 million.
19. As presented in Paper 7.2, general reserves stand at EUR 5.18 million.

### Project management fee (PMF)

20. The PMF contributes to recovery of indirect (management) costs, consisting primarily of fixed/semi-variable costs during the short/medium term, for core functions in SPC. Since such costs cannot be attributed to any single project/programme, although integral to their delivery, these are recovered by applying a fixed target percentage rate. Table 4 below reflects the average recovery rate over the years.

**Table 4. Project management fee trend**

Years	2015	2016	2017	2018	Dec-19	June-20
Total Project & Programme Expenditure (000s)	49,608	46,012	56,760	58,422	54,661	19,203
PM Fees (000s)	2,653	3,480	4,707	5,448	5,828	2,335
Percentages	5.35%	7.56%	8.29%	9.33%	10.66%	12.16%

21. The Secretariat draws members' attention to the continued level of progress towards the target for PMF of 15%, as mandated by CRGA in 2016, and thanks development partners for their constructive engagement with the Secretariat on this matter.

### Restricted project and programme execution

22. As stated above, the 2020 budget has been revised to a total of programme and project execution of EUR 60.96 million, compared to EUR 73.68 million in the original 2020 budget. Table 5 below provides a comparative analysis of the variance against the budget as at June 2020 and June 2019.

**Table 5. Variance analysis summary – project and programme execution (EUR 000s)**

Funding type	Actual June 2020	Pro rata Revised budget (Realistic) – June 2020	Actual – June 2019	Variance – Budget	Variance – Last year	% Var Budget	% Var Last Year
Project	17,963	26,149	21,644	(8,186)	(3,681)	-31%	-17%
Programme	3,576	4,332	3,885	(756)	(309)	-17%	-8%
<b>Total</b>	<b>21,539</b>	<b>30,481</b>	<b>25,529</b>	<b>(8,942)</b>	<b>(3,990)</b>	<b>-29%</b>	<b>-16%</b>

23. The graph below shows actual variance by month from March 2020 in project and programme execution compared to 2019. The Secretariat notes that project and project implementation was higher in March 2020 than in the same month the previous year but has since declined, reflecting the impact of COVID-19 on execution levels.

**Graph 1. Project and programme trend – June 2020 vs June 2019 (EUR million)**



24. The Secretariat has placed considerable emphasis on monitoring execution levels impacted by COVID-19. It is confident that, with reprogramming and alternative delivery models, it will be possible to execute project and programme funding to meet the 2020 revised target and continue to support members with development and recovery actions.

#### Resource mobilisation through strategic partnerships

25. Over the course of 2020, the Secretariat has pursued resource mobilisation through strategic partnerships and accreditations, building its pipeline of projects. Currently that pipeline stands at EUR 71.45 million.

26. The Secretariat’s focus on strengthening its resource mobilisation efforts and capacity to broaden SPC’s donor base and project portfolio form part of the discussion on the proposed 2021 budget in CRGA Paper 7.4.

## Recommendations

27. CRGA is invited to:
- i. note the revision of the 2020 budget, which was primarily necessitated by the impact of COVID-19 on project implementation;
  - ii. note the financial performance review as at June 2020, based on the 2020 revised budget;
  - iii. recognise the critical role that timely payment of assessed contributions and host country grants plays in SPC's financial sustainability and the Secretariat's capacity to continue to provide services and programmes to members;
  - iv. urge members that have not yet paid their outstanding contributions to SPC to do so.
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