

## 31<sup>st</sup> SPREP MEETING OF OFFICIALS

5, 6, and 7 September 2023, Apia, Samoa

### Agenda item 6.3: Sustainable Financing: Report of the Independent Review

#### Purpose of paper:

1. To provide an update on the Independent Review of the Core Funding Structure of SPREP and development of SPREP's Finance & Resource Sustainability Strategy to address sustainable financing for the long-term financial resilience of SPREP;
2. To seek commitment of Members in the consultation process for developing the Finance & Resource Sustainability Strategy for SPREP; and
3. To seek endorsement of Members for the existing SPREP Member Working Group assessing the recommendations of the 3rd Independent Corporate Review and Mid-Term Review of the SPREP Strategic Plan 2017-2026 to be the mechanism for assessing and reviewing as the mechanism for reviewing the consultant's report and draft Finance & Resource Sustainability Strategy for SPREP.

#### Background:

4. The Secretariat's Strategic Plan 2017-2026 outlines the future directions for the Secretariat to strengthen and realign its institutional capacities, competencies, and systems to best support Members and partners by delivering more integrated, responsive, and cost-effective services to Members and partners. This is articulated through the SPREP Organisational Goal 3: SPREP has a reliable and sustainable funding base to achieve environmental outcomes for the benefit of the Pacific Islands region and manages its programmes and operations to stay within its budget.
5. The need for sustainable funding continues to be a key challenge that requires immediate focus for the long-term sustainability and resilience of the organisation. To this end, SPREP will embrace new and bold approaches in addressing sustainable funding challenges whilst at the same time continue to adapt, respond, and strengthen its institutional and systemic capacity to ensure the trust and confidence of its Members, partners, and stakeholders remain intact.
6. The shortage in Core Funded income particularly in view of shortfalls in income from project implementation via programme management charges as in the audited financial outcomes in the past 2 years highlights the critical need for an urgent restructure in the finance and resourcing structure for SPREP post COVID-19.

7. As established in the 30<sup>th</sup> SPREP meeting, the ideal core funding structure is one that strengthens the core revenue of SPREP and enables the Secretariat to leverage additional funding sources. That is, it should be one that positions the Secretariat in such a way that revenue for funding Core operations is secured even when project and programme implementation is halted or delayed and thus continue to serve its members.
8. One of the outcomes of the Third Independent Corporate Review of SPREP and Mid-term Review of the SPREP Strategic Plan 2017-2026 includes the issue of sustainable financing for SPREP to help address and alleviate any further recurrence of deficit positions in the future and a negative or even weak reserves position.
9. The 3<sup>rd</sup> SPREP Executive Board meeting in 2022 endorsed and supported the review of core funding through an independent consultancy to be undertaken to determine an appropriate Finance & Resource Sustainability Strategy for SPREP to be tabled and endorsed by members in the 31st SPREP meeting in 2023.

#### **Independent Consultancy:**

10. The consultancy for the review of the Core Funding Structure of SPREP and development of SPREP's Finance & Resource Sustainability Strategy had been secured in June this year, with Global Environment Consulting Pty Ltd, having undergone a thorough tender process and review, after being tendered three times since December 2022.
11. The review process will include key consultations and engagement of Members and Partners. To avoid setting up any new Working Group or Committee, the Secretariat proposes to use the existing SPREP Member Working Group assessing the recommendations of the 3<sup>rd</sup> Independent Corporate Review and Mid-Term Review of the SPREP Strategic Plan 2017-2026 as the mechanism for reviewing the consultant's report and draft Finance & Resource Sustainability Strategy for SPREP.
12. As part of the initial stages for the Consultant's review, consultations are proposed to be undertaken by the Consultants led by Mr. David Sheppard with SPREP Members, Donors and Partners present at the SPREP Meeting.
13. The current consultancy is expected to be completed by the first half of 2024 with a report and draft Finance & Resource Sustainability Strategy to be submitted to the Fourth Executive Board meeting in 2024 for endorsement.

#### **Recommendation:**

14. The Meeting is invited to:
  - 1) **Note** the update report on the Independent Review of the Core Funding Structure of SPREP and development of SPREP's Finance & Resource Sustainability Strategy;
  - 2) **Commit** to engaging in the consultations to be undertaken by the Consultants with SPREP Members, Donor, and Partners during the SPREP Meeting including follow up consultations as part of this consultancy work; and

- 3) **Endorse** the existing SPREP Member Working Group assessing the recommendations of the 3rd Independent Corporate Review and Mid-Term Review of the SPREP Strategic Plan 2017-2026 to be the mechanism for assessing and reviewing the consultant's report and draft Finance & Resource Sustainability Strategy for SPREP.
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3 June 2023