SPREP
Secretariat of the Pacific Regional Environment Programme

POLICY BRIEF

Finance & Resource Sustainability Strategy

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Prepared for: Secretariat of the Pacific Regional Environment Programme (SPREP)

Prepared by:

David Sheppard Global Environment Consulting Pty Ltd

Contributors:

- David Sheppard
- Andrew Wilson
- Rhona Barr

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1. INTRODUCTION

This Policy Brief highlights the key issues and recommendations in the detailed SPREP Finance & Resource Sustainability Strategy (The Report) submitted to SPREP on 30 April 2024. This Policy Brief should be read in conjunction with The Report. The focus of The Report and this Policy Brief is on the issue of SPREP'S core funding and budget situation.

SPREP's budget has increased from US$19 million in 2013 to US$37 million in 2023 and it is anticipated that this budget growth will continue. Core funding income[1], however, has not kept pace with SPREP's growing project portfolio, and thus funding for important management and administrative services within SPREP has become critically strained.

The 3rd SPREP Executive Board meeting[2] endorsed the development of this Strategy with the following objective**:** *"To carry out a comprehensive review of SPREP's Core Funding Structure and develop an appropriate Finance & Resource Sustainability Strategy to ensure the financial sustainability of SPREP in the long term through a reliable and sustainable funding base to help achieve environmental outcomes for the benefit of the Pacific Islands region and manage its programmes and operations to stay within its budget".*

The Report examines all aspects of SPREP's current core funding structure, identifies key issues and challenges and outlines options to ensure long-term financial sustainability for SPREP. The strategy is based on a detailed analysis of SPREP's financial situation by the SPREP Review Team and perspectives provided by SPREP Members, Donors/Partners and Staff through detailed and comprehensive interviews and surveys.

The Report includes 24 recommendations which are included in relevant sections throughout the Report and then summarised in Section 5 of The Report (Summary of Recommendations) which assigns a rating from the Review Team as to their priority (High, Medium, and Low). The implementation of the highest priority recommendations is addressed in Section 6 of The Report.

2. FINANCE AND RESOURCE SUSTAINABILITY STRATEGY

Section 6 of The Report outlines a SPREP Finance Sustainability Strategy. This Strategy has been informed by the preceding sections in the Report and the recommendations outlined in Section 5. This Section outlines (a) Guiding Principles (Section 6.1); (b) SPREP's Value Proposition (Section 6.2); (c) Strategic Goals (Section 6.3); and (d) Implementation of Priority Recommendations (Section 6.4).

The Review Team considers that the Priority Recommendations, if implemented successfully, will help SPREP take significant strides towards achieving a balanced and sustainable budget. These correspond to the High Priority Recommendations outlined in Section 5 of The Report. The key recommendations are:

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[1] Core funding is defined as: "The income received by the organisation that is not earmarked for specific projects and can be used to cover operational running costs of the organisation, including non-project staff, premises, utilities and ICT costs" (from SPREP).

[2] Held in September 2022

- Priority Recommendation 1: Follow up the 20% Membership Contributions increase agreed in 2017 (based on Recommendation 3 of the Report).
- Priority Recommendation 2: Complete a comprehensive review of membership fees and introduce a new membership framework (based on Recommendation 7 of the Report).
- Priority Recommendation 3: Update SPREP's policy on Programme Management Charges to be a fixed 15% for both members and non-members (based on Recommendation 8 of the Report).
- Priority Recommendation 4: Develop and implement a comprehensive cost recovery policy (based on Recommendation 9 of the Report).
- Priority Recommendation 5: Develop and implement a strategy for securing additional flexible donor funding, including new framework agreements with metro members. (based on Recommendations 14 and 17 of the Report).
- Priority Recommendation 6: Build contingency into budget forecasting to allow for unforeseen shortfalls (based on Recommendation 24 of the Report).
- Priority Recommendation 7: Recruitment of a fundraising position at SPREP (based on Recommendation 16 of the Report).
- Priority Recommendation 8: Improvement of SPREP's Financial and HR management systems (based on Recommendation 21 of the Report).

These priority recommendations are outlined in more detail below.

1.1 Priority Recommendation 1: Follow up the 20% Membership Contributions increase agreed in 2017.

SPREP Meetings have frequently discussed Member Contributions, recognized the importance of these contributions in delivering outcomes agreed in SPREP Strategic Plans, and have recommended changes to Member Contributions. In particular, the 28th SPREP Meeting (28 SM) in 2017 recommended, inter alia: *"a 20% increase in contributions by Members, subject to confirmation by capitals, commencing in time for the SPREP 2018 financial year".* Yet this resolution is yet to take effect for most member countries, now nearly 7 years on. The relative contribution from members to SPREP's total core funding has been steadily decreasing over time, particularly with Member Contributions not keeping pace with either: (1) the increasing size of SPREP's programme portfolio; or (2) the increasing cost of SPREP doing business over time, as measured by inflation.

To date, the following SPREP members have increased their contributions above the 2004 level and by 20% in line with recommendations of the 28th SPREP Meeting (28 SM) in 2017: Australia; New Caledonia; New Zealand; Papua New Guinea; Samoa; Tuvalu. France has recently (December 2023) advised that it will increase up to 20% their national contribution to SPREP Core budget and that this has been approved at "a political level".

The Report compares SPREP Member Contributions to a number of comparable organisations, including SPC, PIFS and FFA in Table 1 of the report. This shows that SPC has nearly 10 times the Member Contributions of SPREP and PIFS has about double. Further SPREP has the lowest relative Member Contribution to core funding of any comparable organisations researched. This leads to SPREP having a less stable core funding base than other similar organisations.

The Report concludes that an adequate level of Member Contributions is essential for SPREP's future viability. SPREP Membership Contributions lag far behind other comparable CROPs and have remained unchanged for the last 20 years. Membership Contributions are also a key indicator of the level of ownership of Members in the organisation reflecting the buy-in by members to SPREP and its mandate in the region.

Priority Recommendation 1 recommends that SPREP, as soon as is practicable, should follow up the 21 member states – excluding Australia, New Zealand, New Caledonia, Papua New Guinea, Samoa and Tuvalu – that have not followed through with the full 20% commitment made. Once fully actioned, this change alone will add US$113,890 to SPREP's annual budget.

If it is possible to enact this change prior to the 2025 calendar year, it is recommended this change be combined with Priority Recommendation 2 in order to avoid confusion and assist with smoother communications for the two related changes. Table 10 of the Report outlines the current state of Membership Contributions paid by member country for 2022 compared to 2015 (prior to the agreed 20% increase).

1.2 Priority Recommendation 2: Complete a comprehensive review of membership fees and introduce a new membership.

Membership Contributions have not kept pace with the cost of doing business and the relative contribution that they make to core income has consequently been diluted from a high of 39% in 2013 to 21% in 2022 (and as low as 16% as forecast in 2024 budget). Therefore, in addition to Priority Recommendation 1 it is also recommended that SPREP complete a comprehensive review of what long-term Membership Contributions should look like and what mechanisms should be used to adjust them on a regular basis in order to retain long-term sustainability. The Review Team outlines a number of considerations to explore when completing this review, including:

Ownership

Membership fees are a key pillar of SPREP's core budget and are important to help foster a sense of ownership and buy-in for member countries. Without a meaningful contribution from membership fees, SPREP is more exposed to variable Programme Management Charges, which can be impacted by delivery and Other Donor Fund Income, which can be unreliable and take significant resources to secure each year.

SPC, PIFS and FFA all stated that an ideal target for Membership Contributions would be a 50% contribution to total core funding. This threshold means that members, as the key beneficiaries of the organisation, are also the majority contributors to ensure the financial stability of the organisation, reducing the reliance on and exposure to other external factors.

Equity and Economic Context

At present (2022 SPREP actuals), 73% of SPREP's membership fees are contributed by Metropolitan members, with the remainder coming from PICTs. When comparing this to SPC and PIFS, SPREP has a more even balance across Metropolitan members with less exposure to any one country than SPC and PIFS (noting that only Australia and New Zealand are members of PIFS). This is a positive for SPREP and this balance should be maintained where possible.

Metro Member	SPREP	SPC	PIFS
Australia	19.0%	26.4%	24.6%
France	12.0%	20.6%	0.0%
New Zealand	13.8%	16.9%	24.6%
United Kingdom	11.5%	4.1%	0.0%
United States of America	17.1%	11.7%	0.0%
Total	**73.4%**	**79.7%**	**49.1%**

Table 11 of The Report. 2022 Relative Membership Contributions from Metro Members for SPREP, SPC and PIFS

There are currently two membership levels for PICTS – small (US$10,184) and large (US$20,360), which are based on the GDP of each country when these membership fees were set over 20 years ago. Whilst this method for allocating membership fees is clear and simple, it does lead to examples where some small member countries (as measured by current GDP) end up paying the same amount as larger countries and vice versa where some larger member countries end up paying a smaller amount.

SPC and PIFS do not have such rigid membership payment categories and charge membership fees that are more aligned to current GDPs (particularly PIFS). See below Table 12 of the Report for relative contributions from member countries for PICT countries only, including membership fees based on GDP only.

PICTS only	GDP*	% for PICTs if based purely on GDP	SPREP	SPC	PIFS
Papua New Guinea	26.6	44.0%	7.8%	14.6%	21.9%
New Caledonia	10.1	16.6%	7.8%	23.5%	11.0%
Guam	6.1	10.1%	6.5%	2.8%	0.0%
French Polynesia	6.1	10.0%	7.2%	5.3%	8.8%
Fiji	4.3	7.1%	6.5%	7.9%	8.7%
Solomon Islands	1.6	2.7%	6.5%	3.5%	6.3%
Northern Marianas	1.2	2.0%	3.3%	2.6%	0.0%
Vanuatu	1.0	1.6%	6.5%	6.4%	6.5%
Samoa	0.8	1.4%	7.8%	3.5%	6.5%
American Samoa	0.7	1.2%	3.3%	2.6%	0.0%
Tonga	0.5	0.8%	3.3%	3.1%	6.1%
Federated States of Micronesia	0.4	0.7%	3.3%	3.3%	3.0%
Marshall Islands	0.3	0.4%	3.3%	2.1%	3.0%
Cook Islands	0.3	0.4%	3.3%	2.1%	3.0%
Palau	0.2	0.4%	3.3%	2.1%	3.0%
Kiribati	0.2	0.3%	3.3%	2.8%	1.5%
Nauru	0.1	0.2%	3.3%	2.2%	3.0%
Tuvalu	0.1	0.1%	3.9%	2.2%	3.0%
Niue	0.0	0.0%	3.3%	1.7%	3.0%
Pitcairn Island	-	0.0%	0.0%	1.7%	0.0%
Tokelau	-	0.0%	3.3%	2.2%	1.0%
Wallis & Futuna Islands	-	0.0%	3.3%	1.7%	1.0%

Table 12 of the Report. 2022 Relative Membership Contributions from PICTs compared to GDP for each country. *(Source: Trading Economics, 2023)

The table shows some examples where SPREP's membership fees do not align with GDP. For example, Papua New Guinea pays the "large" membership fee for SPREP, which is US$24,432 for a contribution of 7.8% of total PICT membership fees. However, they pay 14.6% of all SPC PICT membership fees and 22% of all PIFS PICT membership fees. If Papua New Guinea were to make the same % contribution as to PIFS, they would pay almost three times as much as US$68,113. On the other hand, small countries such as Niue, and Wallis & Futuna Islands pay the same SPREP fee as countries such as Northern Marianas and American Samoa, and significantly more by % than for SPC and PIFS.

With the above considerations in mind, the key elements of this Priority Recommendation are as follows:

- SPREP should aim to achieve a minimum contribution from membership fees of 50% of overall core income, matching the aims of SPC, PIFS and FFA.
- Consideration should be given to phasing increases over time to achieve this contribution.
- SPREP should aim to maintain the current relative contribution rates from metro members.
- SPREP should aim to rebalance relative membership contribution percentages for PICTs so that they are more aligned to individual country GDPs.
- SPREP should set out a milestone roadmap for membership fees to help guide its membership fee decisions and monitor progress towards its goals (an example is given below in Table 14 of the Report).
- SPREP should monitor progress against these milestones on an annual basis and complete a review every 2 years to assess:
    - Whether the membership fees are on the right trajectory to make a meaningful contribution to core income.
    - Whether membership fee allocations are still suitable within the context of the economic situations of individual countries.
- Once the desired membership contribution level and country allocations are reached, SPREP should put in place a review mechanism that ensures the long-term financial sustainability of membership fees. This could include:
    - Annual monitoring of membership fee contributions.
    - Biannual review and adjustment of memberships fees in line with:
        - CPI to account for the cost of doing business in the Pacific.
        - GDP changes for individual PICTs in order to rebalance membership fees in an equitable and manageable manner.

1.3 **Priority Recommendation 3:** Update SPREP's policy on Programme Management Charges to be a fixed 15% for both members and non-members.

Programme Management Charges have been relatively constant in terms of contribution to SPREP's core funding over the period 2013-2022. Programme Management Charges are released as income once specific programme deliverables have been met, for the majority of funding. Analysis in Section 2.3 of the Report shows that SPREP is more reliant on Programme Management Charges than other organisations, and this leaves it exposed to shortfalls should delivery of projects be disrupted or delayed.

Programme Management Charges vary significantly by donor and even by project, ranging from 2% to 16%, with an average around 8.3%. This average is well short of SPREP's ideal 12% to 15% target range. Table 2 of The Report shows the top 20 SPREP donors over the period 2013-2022 and their average Programme Management Charges.

Sections 2.3 and 3.3.3 of The Report reviewed SPREP's experience with the EU, GEF and GCF. The EU is SPREP's largest donor, providing US$27.7 million to SPREP for the implementation of relevant projects, over the 2013 to 2022 period. Support from the EU to SPREP has increased significantly over the last 10 years, and this rate of increase is anticipated to continue in the future. The EU has a strict 7% program fee, although experience has shown some flexibility regarding options for cost recovery. International Funding Instruments, such as Global Environment Facility (GEF), the Green Climate Fund (GCF) and the Adaptation Fund (AF) have been very useful in supporting environmental and climate change projects in the Pacific region. SPREP should make full use of the opportunities provided through the GEF, GCF, and AF to support programme delivery in PICTs while ensuring appropriate rates of cost recovery are applied.

As described in Section 2.3.3 of The Report, some donors have well established criteria that apply to a large volume of projects globally and therefore it can be challenging to negotiate increased Programme Management Charges in some circumstances. But in order to understand the scope of change if this were possible, a recast of 2022's Programme Management Charges has been created (see Table 3 of the Report) with some adjusted scenarios, including:

- Actual Programme Management Charges for 2022
- A fixed 15% Programme Management Charge
- A fixed 15% Programme Management Charge for all except the top 5 donors

See below Table 3 of the Report showing the adjusted Programme Management Charges earned and project portfolio size for the above scenarios.

Summary	PMCs	Portfolio Size	Avg PMC
2022 Actual PMCs	1,797,631	21,727,079	8.3%
Fixed 15% PMCs	3,259,062	21,727,079	15.0%
Fixed 15% PMCs excluding top 5 donors	2,345,335	21,727,079	10.8%

Table 3. 2022 scenarios if changed policy towards different Programme Management Charge (PMCs) thresholds.

As observed in the table, raising Programme Management Charges to a fixed 15% could have a significant impact of ~US$1,500,000 per year. Though, with some fixed donor policies on Programme Management Charges, this could be easier said than done. Still, looking at the impact of raising Programme Management Charges for all donors excluding the top 5 of the European Union, UNEP, UNDP, GCF and AF, this could still lead to a reasonably significant impact of ~US$550,000.

One sub-recommendation in support of this recommendation is to highlight to donors the unique cost of doing business in the Pacific Region, which relies heavily on travel in support of the many different Pacific Island countries. With travel costs having increased two to three-fold since the COVID-19 pandemic, this has become a significant cost burden for work in this region. It is recommended that a separate independent analysis of this issue is completed so that this can be provided as clear rationale to all potential donors for adhering to the fixed policy of 15%.

1.4 **Priority Recommendation 4:** Develop and implement a comprehensive cost recovery policy.

As highlighted in Section 2.3 of The Report, the levels of cost recovery for SPREP are significantly behind those of SPC and PIFS. Key donors have suggested that whilst they would not be willing to budge on programme management charges, cost recovery is a potential avenue for SPREP to explore.

SPREP's cost recovery rate of 3.4% is significantly lower than SPC's rate of 10.2% and PIFS' rate of 12.2% based on past two years averages (2021 and 2022). If SPREP were to achieve the same cost recovery rates as either of these two CROPs, this would offset costs by between US$2 to US $3 million per year (as shown below), which would go a long way to improving the core funding situation. See table below.

	Cost Recovery Rate	Cost Recovery for 2024 Budgeted Year	Difference if applied to SPREP
SPREP Cost Recovery Rate	3.4%	1,125,516	0
SPC Cost Recovery Rate	10.2%	3,361,759	+2,236,243
PIFS Cost Recovery Rate	12.2%	4,026,315	+2,900,799

Table 13 of The Report. Different Cost Recovery amounts achievable if matched SPC's or PIFS' cost recovery rates (based on their average for 2021 and 2022).

Items that could be reviewed as potential candidates for cost recovery include:

- Legal costs for contract reviews and MOUs
- HR, recruitment costs for projects
- Desk space per square metre.
- ICT – including laptops, headphones, all systems etc.
- Costs for time involved for all core funded positions at an hourly rate, including:
    - Library / Knowledge and Archives
    - ICT
    - Communications
    - Finance and Administration
    - HR
    - Legal
    - Internal Audit

Given the significant potential upside for SPREP, the Review Team recommends that a project is initiated to:

- Review and document all core operational costs that SPREP incurs as a result of implementing projects on behalf of its member countries (whether direct or indirect).

- Design a methodology for estimating and allocating these costs to specific programmes and projects during its scoping stages, using best practice examples, such as the UN, as well as SPC and PIFS as baseline.
- Review proposed methodologies with major funders, including the EU, the GCF and UNEP.
- Build systems and processes to help to optimise and streamline the agreed methodology.
- Review cost recovery progress annually and identify further improvements where required.

1.5 **Priority Recommendation 5:** Develop and implement a strategy for securing additional flexible donor funding, including new framework agreements with metro members.

SPREP's Other Donor Fund Income is received largely through Framework Agreements with SPREP Metropolitan members. It is an important source of Core Income, as it is both unrestricted and reliable and has in part helped to cover the shortfall created by Member Contributions not keeping pace with SPREP's rising organisational costs. The majority of this income has come from Australia and New Zealand, as shown in Figure 10 of The Report. Whilst SPREP has seen a steady increase in Other Donor Fund Income over the past 10 years, it still lags behind PIFS, which has grown from US$400k in 2013 to nearly US$6m in 2022. Given SPREP's reliance upon this funding, as indicated in Figure 8 of The Report, a lack of funder diversification is a clear risk for SPREP.

Perspectives from SPREP Members and Partners on Programme Management Charges suggest that other Metropolitan Members of SPREP (US, France, and UK) should be encouraged to develop similar Framework Agreements to support the effective function and core resourcing of SPREP. It is also noted that all Metropolitan Members of SPREP either have or are developing major initiatives and programmes which have a high correlation with the mandate of SPREP and these are outlined in this Section of the report. These include, but are not limited to, the UK Blue Planet Fund, the recently announced support from the French Government for climate change and ocean conservation and relevant aspects of the US National Strategy dedicated to the Pacific Islands, announced by the US President in 2022. SPREP should engage with all Metropolitan Members with a view of becoming a "partner of choice" in relation to their initiatives and programmes where they overlap with SPREP's mandate.

Whilst increasing membership fees and improving cost recovery will go a long way to reducing the core funding gap, additional funds will be needed to support SPREP's core operations. Currently, SPREP's Other Donor Fund Income comes from a limited group of funders, with the vast majority (88%) coming from both Australia (32%) and New Zealand (56%), leading to key donor risk and an overreliance on these few key sources.

In order to enhance the outcomes and diversify risk in this income line, SPREP should aim to:

- Reduce reliance on Other Donor Fund Income over the long-term in order to re-balance relative contributions from other income sources for a diversified income portfolio.
- Reduce reliance on fewer donor sources by having no single donor contributing more than 33% of this income line. This can be achieved by diversifying and securing additional donor sources including:
    - New framework agreements with other metro members outside of Australia and New Zealand. Efforts should be made to highlight how SPREP's value proposition addresses

    - mutual priority areas. E.g. For the UK, this could be their Blue Planet Fund initiative (UK Gov, 2023), which names the Pacific as one if its priority areas.
    - Other ODA funding agreements with new countries that provide significant funding for SPREP's aligned causes, such as Japan, Korea and Germany, as outlined in Section 3.1.
    - Grant agreements with new philanthropic partners, as outlined in Section 3.2.
    - Exploration of corporate partnerships (for either voluntary CSR donations/grants or the provision of in-kind/low-cost services), as outlined in Section 3.4.
- Employ an experienced fundraising manager to design the fundraising strategy and secure new partnerships via the potential sources identified above (refer Priority Recommendation 7).

1.6 **Priority Recommendation 6:** Build contingency into budget forecasting to allow for unforeseen shortfalls**.**

As identified in section 4.1 of The Report, a consistent challenge for SPREP has been the in-year shortfalls in budget that are often caused by shortfalls in Programme Management Charges earned, when delivery of programmes/projects is delayed. This can happen for a variety of reasons, often out of SPREP's control, with delays caused by the COVID-19 pandemic being a significant example.

To help ensure that SPREP has adequate coverage for fixed core operational expenses, it should build in some contingency into the budget so that core services are not interrupted during times when unexpected circumstances arise. During years when there have been no unexpected disruptions, if a surplus income is earned, this can be used to build SPREP's reserves as buffer against disruptions for future years. Long-term surpluses can also be used for capital costs to strengthen the organisation and further its mandate.

An ideal contingency target would be somewhere in the range of 10% to 20% of total core operational costs.

1.7 **Priority Recommendation 7:** Recruitment of a fundraising position at SPREP.

The Review Team recommends that SPREP should, as a priority, employ a person(s) specifically charged with fundraising for the organisation. This recognises that fundraising for organisations such as SPREP requires professional skills and dedicated capacity. It is noted that many of the successful organisations involved in the environment and nature conservation sectors, such as The Nature Conservancy and Conservation International, employ significant fundraising teams. The elements of the TOR for this fundraising position at SPREP should include, but not be limited to: (a) additional bilateral donors; (b) philanthropic organisations; (c) the private sector; and (d) innovative sources of funding. It is anticipated that the fundraising position at SPREP would play a lead role in the development of the funding strategy outlined in this report.

1.8 **Priority Recommendation 8:** Improvement of SPREP's Financial and HR management systems.

The Review Team further notes that SPREP's internal financial and HR management systems could be improved to better meet the current and future needs of SPREP. Improved systems can streamline processes and optimise resources, which can reduce the overall cost of core operations. This could include, but not be limited to: (a) ensuring better linkages between the PAYGLOBAL System and the Financial Management Information System (FMIS), to enable Finance to support programs and projects and to allow interfacing between them; (b) improving reporting mechanisms to better meet the needs of the multiple donors and members SPREP works with. Training should also be a key element of new systems, with SPREP's Finance Team continuing to support technical and project staff in financial "literacy" via training where needed and provision of systems, processes, and tools to ensure staff are able to manage the relevant financial aspects of projects (in particular budget planning and cost recovery).

3. NEXT STEPS

This Report outlines 24 recommendations in this report and provides detail on the implementation of the 8 Priority Recommendations. The Review Team recommends that the recommendations of this report be considered by the SPREP Executive Board and the SPREP Meeting. It is noted that funding implications for some of the recommendations will have to be reviewed closely by the existing SPREP Member Working Group in terms of implementation, and the results from this assessment should also be presented to the SPREP Executive Board, along with the recommendations from this Review.

The Review recommends that the oversight of the implementation of these recommendations particularly the high priority recommendations be undertaken by a core group comprising relevant SPREP staff and representatives of SPREP Members. The SPREP Secretariat should report on progress on implementation of these recommendations at subsequent SPREP Meetings. The assessment of achievement of these recommendations should be undertaken by SPREP Members, on a basis to be determined by SPREP Members.

The SPREP SLT has indicated there could be three additional areas of work after this project is completed. Detailed Terms of Reference would need to be developed if it is agreed that this extra work should proceed. Additional funding would be required.

<u>Costs of doing business</u>

SLT Members highlighted the increased and increasing cost of doing business in the Pacific Region as a clear rationale for why Programme Management Charges may need to be higher than for other places around the world to ensure adequate coverage for core operations. This assessment of costs could include:

- Identification of the key costs involved in SPREP activities.
- Review of the costs of similar organisations to SPREP, in the region and internationally.

- Review of how costs have changed over the last 10 years and an assessment of different scenarios of how costs could change over the next 10 years with a summary of implications for SPREP’s financial management.

Assessment of cost recovery

This report notes cost recovery rates for SPREP on donor projects are significantly less than for other similar organisations, including other CROP agencies considered under this review. Additionally, a number of people and organisations interviewed highlighted that there is a lot more that SPREP could be recovering costs for, but currently isn’t - at least on a consistent basis - including the cost of core funded positions, ICT costs, and for desk space. Analysis in section 7.4.4 if this report suggests that improving cost recovery rates is a significant opportunity for SPREP, representing somewhere between $2 million to $3 million per annum if it were to achieve similar rates of recovery as other CROP agencies. It has thus been suggested that SPREP should review cost recovery practices as a priority, with the aim of increasing the rates of cost recovery to those currently achieved by SPC and PIFS. Work on this project could include:

- Review and document all core operational costs that SPREP incurs as a result of implementing projects on behalf of its member countries (whether direct or indirect).
- Design a methodology for estimating and allocating these costs to specific programmes and projects during its scoping stages, using best practice examples, such as the UN, as well as SPC and PIFS as baseline.
- Review proposed methodologies with major funders, including the EU, the GCF and UNEP.
- Build systems and processes to help to optimise and streamline the agreed methodology. Review cost recovery progress annually and identify further improvements where required.

Presentation of SPREP Finance Review to next SPREP Executive Board Meeting

Presentation of the full report to the next SPREP Executive Board Meeting, which it is understood will be held later in 2024.