



Agenda Item 7(iv): Membership Contribution Review Report

Recommendation

Members are invited to:

- a) **consider** the recommendations provided in the Membership Fees review report;
 - b) **discuss** and **endorse** the recommendations provided in the report as follows:
 - (i) Agree for PIDC to explore grants from new donors after the Secretariat has done its due diligence in terms of ensuring that there is a donor funding strategy in place;
 - (ii) Approve the increase in Members total contribution to 8% of total income in 2025;
 - (iii) Approve the new framework for allocating total distribution amongst Members based on GDP weighted by GDP per capita to become effective in 2025;
 - (iv) Approve the rise in Member's contribution to 12% in 2026, 16% in 2027 and 20% in 2028; and
 - (v) Approve the introduction of a voluntary contribution scheme by Members including Australia and New Zealand as stated in the report.
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Purpose

To discuss the findings and recommendations of the Membership Subscription Review Report and to seek Members' endorsements on the recommendations provided in the report.

Background

2. Members will recall at the 2023 Regular Annual Meeting in Vanuatu, Member's endorsement of the review of the Membership Subscription Fee, consequently tasking the Secretariat to work on recruiting an expert consultant to review the Membership fee with recommendations that would subsequently be tabled at this year's PIDC's next Regular Annual Meeting.

3. Mr. Narube was subsequently recruited to review the Membership fee as he was identified as the most technically experienced consultant. A former Reserve Bank of Fiji Governor and the only Pacific based expert with extensive experience in the review of membership fees across several regional organizations in the Pacific, namely the Pacific Islands Forum Secretariat (PIFS), South Pacific Commission (SPC), and the Pacific Financial Technical Assistance Centre (PFTCA). In addition, his proposed methodology of engaging

members and Board members directly in his review process to develop a sense of ownership of the review process was noted for its engaging approach.

Current Membership Allocation and Tier Levels

4. The current Membership contributions are divided into tiers as shown in the table below:

Table 1 – Member Contribution Fund Tier and Allocation

Member Country-Tier Levels	
Exempt Australia and New Zealand	
Tier 1. NZD 5,250	Tier 2-NZD 4,200
French Polynesia New Caledonia Papua New Guinea Samoa	American Samoa Cook Islands Fiji Solomon Islands Vanuatu
Totals \$21,000	Totals\$21,000
Tier 3- NZD 3,150	Tier 4 NZD 2,100
Kiribati Republic of Marshall Islands Tonga	FSM Nauru Niue Palau Tuvalu Tokelau Wallis and Futuna
Totals \$9,450	\$14,700

Executive Summary

4 The Membership fee was last reviewed in 2019 at the Cook Islands Meeting with membership subscription remaining at similar levels prior to 2019 with no significant increase. Consequently, the review of the PIDC funding strategy is being undertaken at a time of transition of the organisation from an establishment to a growth phase.

5. The review also comes at a time when the challenges that the Pacific faces in safeguarding its borders and its people are increasing, not only in volume, but also in complexity. The PIDC must rise to meet the expectations of the membership. It can only achieve this if it commands the necessary resources to satisfy the growing demand of its members. The highest priority for PIDC is the adequacy of its funding. It is therefore timely that the PIDC undertakes a review of its resourcing strategy. Resourcing cannot be explored in isolation. It must be done in the context of the financial sustainability of the PIDC. The study therefore covered wider areas of the linkages of budget allocations to the strategic plan, expenditure management, and risk management.

6. Consequently, the review attempts to find solutions to the financial challenges of the organization which is mostly dependent on the principal donors Australia and New Zealand

and the lack of clarity on the setting of the members' total contributions and respective member allocation.

7. The review was done in consultation with Board members, Development Partners, The Secretariat, and similar regional organizations based in Samoa and across the region. Currently, Members contribute to around 4% of the Secretariat's overall income every year.

Summary of Recommendations

8. The main recommendations of the review are:

- (i) The PIDC should review its Vision, Missions and Strategies and align all its corporate documents especially the budget to the Strategic Focus Areas (SFA).
- (ii) The PIDC should aim to satisfy the increasing demand of members by increasing its funding envelope:
 - a. Approach the funding negotiations with New Zealand and Australia in a structured fashion with the aim to increase the level of funding at the renewal of the three-year agreements.
 - b. Diversify the sources of its grant funding to other development partners. However, the PIDC should undertake due diligence of new donors to ensure that they are aligned to the principles and the aims of the organisation.
 - c. Increase its capacity to offer projects for funding not only to development partners but also to members who have the ability to contribute to this funding modality.
 - d. The members of the PIDC should strengthen its ownership of the organisation by significantly raising its contributions to 20% of total income by 2028 to help meet the rising demands for PIDC services.
- (iii) The PIDC should make the framework of the distribution of members' contribution transparent. The review recommends that this be based on the size of the country (GDP) weighted by ability to pay (per capita GDP). Under this new framework, the load on the poorer members of the PIDC is reduced.
- (iv) The PIDC should introduce voluntary membership contribution to cater for members who wish to contribute more than their assessed contribution. These voluntary contributions should be unconditional and executed through three-year agreement.
- (v) The PIDC should consider levying a project management fee of 10% to fund the development of systems such as IT.
- (vi) The PIDC should hedge against the exchange rate losses by maintaining accounts in New Zealand dollars and converting only to WST for liquidity purposes.
- (vii) The PIDC should raise its visibility by greater publicity and its level of engagement to the CEOs and Ministers of the relevant Ministry.

9. Members are requested to review the report and are to consider the endorsement of the recommendations stated in the report and task the Secretariat to work with the Audit and Risk Committee in terms of other recommendations in the report for the next Board Meeting.