Final Report

THE PACIFIC IMMIGRATION DEVELOPMENT COMMUNITY

MEMBERSHIP FEE REVIEW

April 2024

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Abbreviations

AI:	Artificial Intelligence
AUD:	Australian Dollar
BP:	Business Plan
CEO:	Chief Executive Officer
CROP:	Council of Regional Organisations in the Pacific
DFAT:	Department of Foreign Affairs and Trade, Australia
EU:	European Union
FFA:	Forum Fisheries Agency
FSM:	Federated States of Micronesia
GDP:	Gross Domestic Product
GNI:	Gross National Income
HoS:	Head of the Secretariat of PIDC
M&E	Monitoring and Evaluation
MCs:	Member's Contributions
MFAT:	Ministry of Foreign Affairs and Trade, New Zealand
NGOs:	Non-Governmental Organisations
NZD:	New Zealand Dollar
OCO:	Oceania Customs Organisation
PIDC:	Pacific Immigration Development Community
PFTAC:	Pacific Financial Technical Assistance Center
PIFS:	Pacific Islands Forum Secretariat
PMF:	Project Management Fee
PNG:	Papua New Guinea
RMI:	Republic of Marshall Islands
SA:	Sensitivity Analysis
SFA:	Strategic Focus Area
SIS:	Small Island States
SP:	Strategic Plan
SPC:	Secretariat of the Pacific Community
SPREP:	Secretariat of the Pacific Regional Environment Program
SPTO:	South Pacific Tourism Organisation
USD:	United States Dollar
WST:	Western Samoa Tala

Notes

1 Source of data is the PIDC unless otherwise stated.

2 The Consultant takes full responsibility for the accuracy of the information and data in this report.

Executive Summary

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. From the consultations of this study, the members and development partners confirm that the PIDC has demonstrated maturity since its legal establishment 8 years ago. There is consensus that the time has arrived for the organisation to become the lead agency on immigration in the Pacific. The PIDC can only achieve this vision if it raises its service to its members and its visibility in the region.

The consultations in this study clearly confirm that the members are satisfied with the services of the organisation. There is consensus that the processes of internal consultations between the Secretariat and the members ensure that PIDC delivers the services that meets the priorities of its members, The members confirm that they want the PIDC to grow to become the leading agency on matters dealing with immigration in the Pacific.

The consultations clearly support the increase in member contributions. Only less than 1% of the survey respondents did not support an increase in member contributions. The data clearly show that all the members receive from the PIDC much more than their contributions. There is therefore value in increasing the total contribution by members to the PIDC.

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.

The review attempts to find solutions to the financial challenges of the organisation, which are the high concentration of its donor funding, the low level of ownership of its members, and the lack of transparency of the setting of the members' total contributions and their allocation to the members.

The review consulted with the Board Directors, development partners, members, the Secretariat, and similar regional organisations.

Summary of Recommendations

The main recommendations of the review are:

1. The PIDC should review its Vision, Missions and Strategies and align all its corporate documents especially the budget to the Strategic Focus Areas (SFA).
2. 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.
3. 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.
4. 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.
5. The PIDC should consider levying a project management fee of 10% to fund the development of systems such as IT.
6. The PIDC should hedge against the exchange rate losses by maintaining accounts in New Zealand dollars and converting only to WST for liquidity purposes.
7. The PIDC should raise its visibility by greater publicity and its level of engagement to the CEOs and Ministers of the relevant Ministry.

SECTION 1: BACKGROUND AND METHODOLOGY

1. Background

To fully provide the context to this review of the members' contribution, it is essential to understand the history, size, and the aspirations of the Pacific Immigration Development Community (PIDC).

PIDC was established in 1996. It currently has 21 members. The PIDC was originally attached to the Pacific Islands Forum.

The Secretariat was moved to Apia, Samoa in 2016 and then gained legal entity, which included diplomatic immunity status. Under the Host Country Agreement, the Government of Samoa provides support through payments of rent and utilities in addition to paying its membership contribution.

The size of the PIDC Secretariat is small with only 7 staff members under the Head of the Secretariat (HoS). Its budget is just over WST 2 million.

1.1 Study Objectives and Scope

The services of the PIDC Secretariat to its members are funded by three sources:

a. The grants from Australia and New Zealand, both of which are founding members of the PIDC, make up over 92% of its annual income.
b. The members contribute 4% to the total income of the PIDC. Australia and New Zealand do not contribute as members.
c. Contribution from the host country, Samoa, make up 4% of the total income.

In satisfying the demand of its members, PIDC faces several challenges. These challenges embed themselves in the adequacy of its financial resources. Realising these challenges, the PIDC has commissioned a review of its members' contributions.

The review of the membership fee seeks to accomplish the following objectives:

a. Sustainable financing – assess the effectiveness of the current membership contribution in providing adequate and sustainable financial resources for PIDC's work program activities;
b. Value Addition for Members - Evaluate how the membership contribution aligns with PIDC's strategic direction and objectives, ensuring it adds value to Members and supports their priorities;
c. Resource Management and Risk Management - Identify and address financial and non - financial risks related to Membership Contribution and propose mitigation strategies; and

d. It is essential to keep the members' contributions to the PIDC in its proper context. The members contribute only 4% of the PIDC total income. Realistically, the review of members' contribution alone will not solve the funding challenges that PIDC faces. Therefore, with the agreement of the Secretariat, the scope of this study was widened, without any additional cost to PIDC, to the development of the resourcing strategies of the organisation.

1.2 PIDC Governance and Mandate

At the apex of the PIDC governance is the Members' Forum which meets once every year. The PIDC is one of the few regional agencies which is governed by a Board that meets three times in a year. The Board of Directors consist of 10 members. Australia, New Zealand and the host country Samoa, are permanent members of the Board. The other members are the representatives of Micronesia, Melanesia, Polynesia, and Small Island States (SIS) as well as two Vice Chairpersons. The Chairperson of the Board is also the chairperson of the wider PIDC Membership Forum. Currently, Vanuatu is the chairperson of the Board.

The Vision of the PIDC is to "***Secure international movement of people for the safe and prosperous Pacific Communities.***"

The Mission is to "***Strengthen Pacific border integrity and promote economic prosperity through regional collaboration, modernisation, facilitating secure, seamless, and efficient international movement of people.***"

The 2022-2025 Strategic Plan has four Strategic Focus Areas (SFAs):

a. Partnership and Coordination—strengthen collaboration and partnerships to advance members interests.
b. National Immigration Strengthening—strengthen capacity of national immigration officers and agencies.
c. Enforcement and Traveler Facilitation—strengthen national immigration border processes to support international security and domestic social and economic development.
d. Governance and Secretariat Support—strong organizational, Secretariat and national member governance processes developed to strengthen confidence in PIDC.

There are two cross cutting issues in the Strategic Plan:

a. Capacity building; and
b. COVID-19 and Pandemic Response.

1.3 Strategic Phases of the PIDC Growth

The 8 years since PIDC became a legal entity could be seen as the establishment phase of the organisation where the system of proper governance has been established; the Secretariat has developed its own processes, and the members of the PIDC have established their priorities and partnerships.

This next 10 years could be regarded as the period of growth and consolidation for PIDC. The study is being undertaken during this growth period. This is important for the following reasons:

a. A review of the mandate of the PIDC is timely. The challenges in protecting the integrity of the region's international borders are growing. The influence of Artificial Intelligence (AI) is unstoppable. The threat of human trafficking and movement of illegal substances including arms are increasing as well as challenges in the maritime spectrum;
b. Keeping to the demand driven foundation of the organisation and remaining relevant to its membership, the PIDC must make room for growth. The surveys of members in this sturdy indicate rising demand for the services of the PIDC. Areas of growth identified from the members' survey and consultations with the Secretariat indicate priorities on SFA 2 (National Immigration Strengthening) and SFA 3 (Border Enforcement and Traveler Facilitation). These priorities will have flow on effects to SFA 4 (Governance and Secretariat Support); and
c. To enable the organisation to meet the growing demands of its members and safeguard its long-term financial sustainability, the PIDC needs to diversify its sources of funds and strengthen their sustainability in the medium to long term.

1.4 Financial Challenges Facing PIDC

The study identified the following financial challenges facing the PIDC:

a. Inadequate funding to meet the growing members' needs.
b. Stagnant revenue streams.
c. Very high concentration risk of funding sources.
d. Low level of visibility.

If unresolved, these challenges will seriously restrain the PIDC from reaching its Vision and Missions in the medium to long term.

2. Methodology of the Study

The study adopted the following approaches:

a. The consultant made a 5-day visit to the Secretariat in Apia and:
    i. Consulted with the Secretariat;
    ii. Clarified the scope of work;
    iii. Developed a consultation plan;
    iv. Complete an Inception Plan;
    v. Consulted the Samoan authority;
    vi. Prepared the survey of members, directors, and donors; and
    vii. Collected data.
b. To raise the ownership of the project, the Secretariat provided the data and helped construct the financial model.
c. Virtual and face to face consultations were held with members, donors, and directors.
d. A survey was sent to each member country. To protect confidentiality, the responses were sent directly to the Consultant.
e. The Consultant conducted virtual interviews with the representatives of the New Zealand and Australian Governments who fund over 92% of the PIDC.
f. Documents were reviewed including the Annual Reports, Strategic Plans, Financial Statements, and the Annual Work Plan and Budget.
g. Based on these consultations and data analysis, a financial sustainability model was developed to identify the financial gaps.

The Consultant expresses his appreciation to the Directors, the Development Partners, and Members for the consultations, and to the Secretariat for its guidance, provision of data, and help in building the financial model.

2.1 Organisation of the Report

There are four Parts (Chapters) to this report:

a. The first Part of the report analyses the income and expenditure management of the PIDC. It reviews the trends in the major sources of income and expenditure and makes recommendations on strengthening financial and risk management.
b. The second Part develops a financial framework to address the financial challenges of the organisation. For this purpose, a financial projection model is developed to simulate sensitivity scenarios and highlight the funding gaps that the PIDC faces in the delivery of its services to members.
c. The third Part is to identify the resourcing strategies that PIDC can implement to close the funding gap. These strategies include the increase in members' total contribution and the design of a new burden sharing framework to transparently distribute the total members' contributions amongst members.
d. The final Part is to develop a transition strategy to increase members' contributions and implement the new distributive framework.

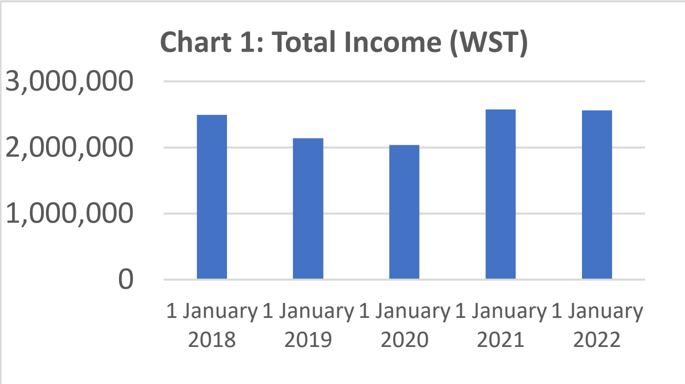
SECTION 2: FINDINGS AND PRESENTATION OF DATA

Part One: Income and Expenditure Management

1. Income

There are three sources of income to the PIDC:

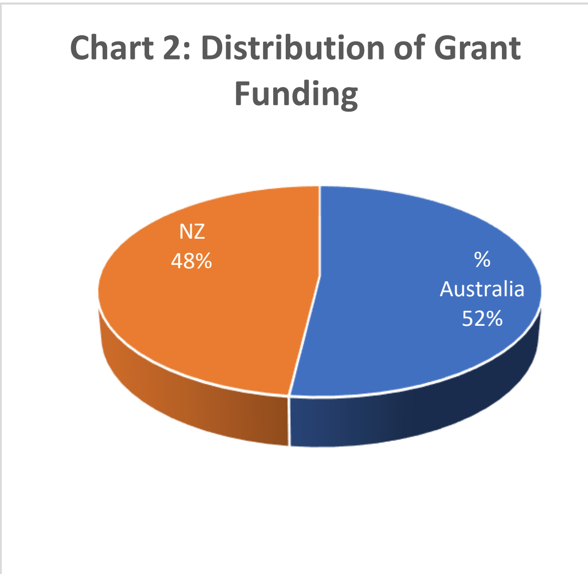
a. Grant funding from Australia and New Zealand through three year rolling agreements;
b. Members' contributions under a four-tier structure; and
c. Host country support by the Government of Samoa.



While total income has been restored to pre COVID levels, it has remained stagnant in the medium term due to the fixed agreements with Australia and New Zealand. The funding envelope remains at around WST2.5 million. This amount is being temporarily propped up by deferred income of WST 300,000 which will be fully spent in this financial year. The support of the host country, Samoa, is the same as the total members' contributions.

The concentration risk is high which must be balanced as the organisation enters its growth phase.

1.1 Grant Funding



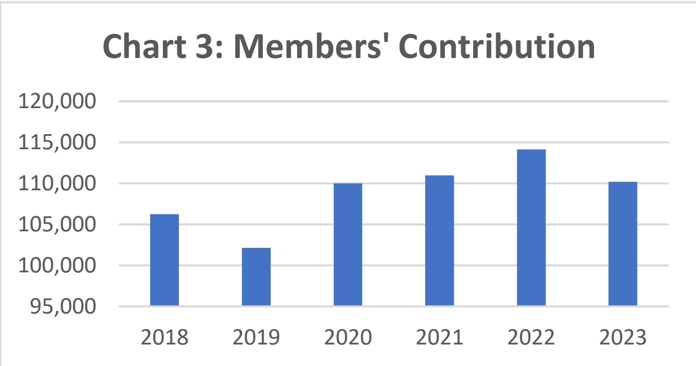
PIDC predominantly relies on the assistance from its founding members Australia and New Zealand who, between them, funds over 92% of its income.

These grant funding are agreed upon through a three-year funding agreement. The amount remains the same during those three years and, in some instances, even into the next agreement. The New Zealand funding is through two programs—the New Zealand Immigration and NZ MFAT. Australia provided funding to the COVID 19 recovery.

From the surveys, the members appreciate the generous assistance of Australia and New Zealand. Without the support of Australia and New Zealand there will be no PIDC. The consultations also indicated that the development partners were satisfied with the performance of the PIDC in meeting the member's demand and their priorities.

However, as the PIDC enters the next phase, the members have made a strong call for the diversification of the donor funding of the organisation.

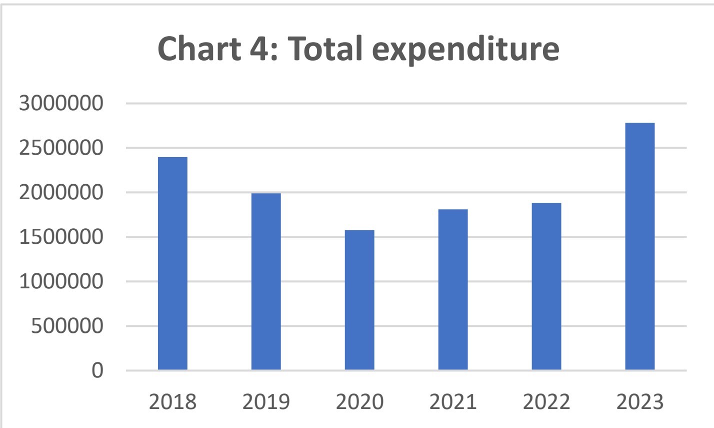
1.2 Members' Contributions



The members' contributions to the PIDC contributing 4% of total revenue is relatively low compared to other CROP and regional agencies. There has only been one increase in members' contributions in 2019. It is very important to note that the level of contributions paid by a member, which is a maximum of NZD5,250 per year, is extremely low. The lowest tier of members pays only NZD2,100 per year.

Financial commitment generally signals the level of ownership of members in an organisation. This review of members' contributions is therefore timely. The consultations indicate that the members are satisfied with the performance of the PIDC and the services are in line with their priorities. Majority of the respondents of the survey indicate their support for an increase in the members' contribution provided that the PIDC continues to provide value for their money.

2. Total Expenditure



The total expenditure of the PIDC declined significantly during COVID-19 but has since recovered and is well above the 2018 level. The increase in total expenditure is higher than the rise in total income. The consultations showed that the members expected a rise in total expenditure and they were prepared to raise their contributions to the PIDC to help it provide more for their needs.

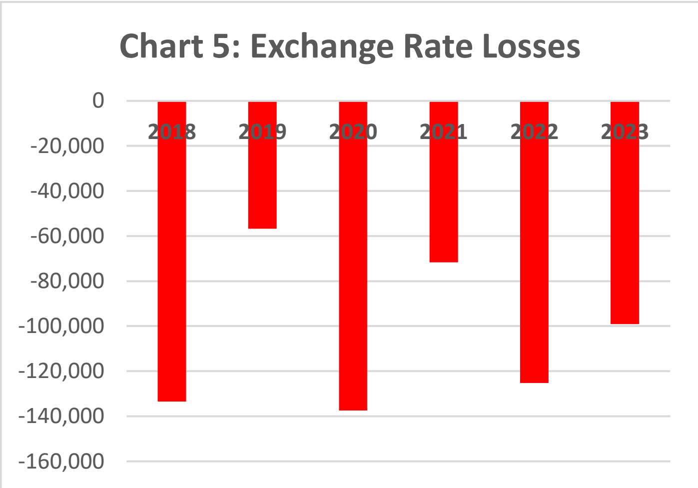
The Statement of Income and Expenses categorise spending along functional classifications.

Table 1: Expenditure by Functional Classification

Expenditure groups	Amount in 2022 (WST)	% of total spending
Administrative	164,197	9%
Programme delivery costs	832,718	44%
Depreciation	44,946	2%
Personnel	838,746	45%
Total	**1,880,536**	**100%**

Personnel cost accounts for 45% of the total expenditure and programme delivery costs make up 44%.

3. Revaluation Losses



Since it is based in Apia, the accounting currency of the PIDC is the Western Samoa Tala (WST). Its income from donors is received in Australian and New Zealand currencies. Its payments may also be in currencies other than the WST.

All income in foreign currencies are converted to WST. Therefore, when paying expenses in foreign currencies, PIDC needs to convert back from the WST.

Cumulatively, these losses amount to over WST 600,000 in the last six years. This is material in the context of the PIDC budget. There is therefore financial merit in the PIDC exploring measures to minimize these losses.

The study offers the following suggestions which need to be analysed fully by the PIDC:

a. Identify the causes of the exchange rate losses. Most of the assets of the PIDC are in its cash holdings which are in WST. However, the members' contributions are denominated in New Zealand dollars. To avoid the exchange rate risks, members should be asked to deposit funds directly to a PIDC New Zealand dollar account. In this manner, PIDC does not carry the exchange rate risk.
b. One possible cause of the losses is in the PIDC foreign currency transactions. The Secretariat crosses several exchange rate fronts which may be contributing to the consistent high revaluation losses. One way to minimise these currency

revaluation losses is to lessen the exchange rate frontiers that PIDC transactions cross. It could achieve these by parking its incomes in New Zealand currency denominated bank accounts and using this account to pay for foreign currency payments. The PIDC only converts the NZ currencies to WST for liquidity purposes. This NZ foreign currency accounts can be kept with the commercial banks in Apia if allowed by the Central Bank of Samoa.

4. Alignment to the Strategic Plan

Alignment of plans and strategies to the guiding documents of the PIDC is crucial to the effective allocation of its resources and, by extension, the delivery of its services to its members. It is commendable that the PIDC has developed a budget framework along the Strategic Focus Areas (SFAs) of the Strategic Plan and the Annual Report.
Examination of the allocation of the financial resources to the SFA shows the following priority.

Table 2: Distribution of Total Expenses to SFAs

SFAs	Amount (WST) in 2024	% of total expenses
SFA 1: Partnership and collaboration	30,000	1%
SFA 2: National immigration strengthening	360,000	12%
SFA 3: Border enforcement and travel facilitation	1,133,290	38%
SFA 4: Governance and Secretariat support	1.458,510	49%

SFA 4, Governance and Secretariat Support, make up nearly half of the total expenditure of the PIDC. This SFA includes the funding for all the Secretariat's major conferences, Board meetings as well as its Overhead costs. At some CROP agencies, salaries and travel alone can make up over 60% of total spending. SFA 3 of border enforcement and travel facilitation commands the next largest allocation.

5. Monitoring and Evaluation

Monitoring and evaluation (M&E) are essential in the successful implementation of the SP. It is noted that there is no M&E for the SP. There is however a plan to develop an M&E framework for the SP.

The study recommends that the M&E framework for the SP be completed as soon as possible.

Part Two: Financial Sustainability

The funding strategies of any organisation must be assessed under the context of its medium to long term financial sustainability.

2.1 Principles of Financial Sustainability

There are many principles of long-term financial sustainability. This study covers four that are most relevant to its purposes:

a. **Predictability:** The funding should be predictable. Predictability allows the PIDC to plan with confidence that the funding will be available when needed.
b. **Adequacy:** The funding should be adequate to allow the PIDC to implement its BP and ensure that the PIDC is effective and relevant to its members.
c. **Flexibility:** The more flexible the funding is the more freedom the organisation has to shift funds to priority areas and address urgent unforeseen expenditures.
d. **Liquidity:** Assets should be easily liquidated to address contingencies that may arise.

Table 3: Sustainability of PIDC Funding Structure

Sources	*Predictability*	*Flexibility*	*Adequacy*	*Liquidity*
Members' contribution	Annually	High	Low	High
Donor	Medium term	Low	Low	High
Host country support	Medium term	None	High	High
Reserves	None	None	None	None

Applying the above principles, the overall sustainability of the existing funding structure of the PIDC to meet the needs of members is assessed as low.

2.2 Linking Financial Sustainability to the Strategic Plan

Financial sustainability is both a funding and expenditure issue. There must be a clear link between the SP and the medium-term financial envelope. The SP 2022-2025 has the log frame that connects the Vision, Mission, Objectives, SFA, SFA goals, and Approaches. The Approaches outline the programs under each SFA.

The projected increase in the demand from members of the PIDC in this strategic period is expected to be mainly on SFA 2 and SFA 3. The SFA 2 includes the provision of technical assistance on policy advice, development of legislations and training. Demand for SFA 3 include the strengthening of border enforcement and streamlining of immigration processes. Based on the feedback from members, the PIDC Secretariat has projected this demand for services in all the four SFAs. These projections have been used in the financial sustainability model which is discussed in the next chapter.

The PIDC budgets only one year ahead. It is recommended that PIDC prepares a budget three years ahead to assist in identifying the resource needs in a medium-term context.

2.3 Financial Projection Model (FPM)

The sustainability of the PIDC is undertaken through the construction of a Financial Projection model (FPM) of all the three income sources and the spending in the four SFAs.

A baseline scenario of the income sources and expenditure is developed. This baseline is subjected to two simulations. The choices of the simulations were made on the critical areas of: a) growth in expenditure to meet the needs of members; b) the diversification of the sources of grants; and c) the rise in incomes that is required to keep the PIDC financially sustainable.

2.4 Baseline and Simulations

The assumptions of the baseline and the two simulations are explained in the table below.

Table 4: Assumptions of the Baseline and the 2 Simulations

Scenarios	• **Income**	Expenditure
Baseline: The baseline is based on the trend assuming that there will be no structural shifts in income and expenditure.	• The donor funding from Australia and New Zealand will remain unchanged. • The members' contribution will remain unchanged. • There will be no new donors. • The host country support will remain the same.	Total expenditure will grow by the trend in the last two years. The trend during COVID is disregarded.
Simulation 1: The aim of this simulation is to project the funding gap if the expenditure is increased to fully meet the demand of members.	As in the Baseline	Increase expenditure to fully meet the demand of members. The demand is projected using the SFAs of the SP.
Simulation 2: The aim of this simulation is to compute the increase in the sources of income required to meet the funding gap identified in Simulation 1.	• Project the increase in donor funding from Australia and New Zealand based on consultations. • Project an increase in members' contribution based on the consultations. • Project income from new donor sources based on indicators from potential sources.	Same as in Simulation 1

	• Increase host country support by projected inflation of 4% p.a.	

The results of the simulations are integrated into the assessment of the funding strategies in Part 4 below.

Part Three: Resourcing Strategies

Simulation 2 indicates the resourcing gap if the PIDC is to meet the demand for its services in the next five years. Table 5 below shows the results of Simulation 2 of a growing resource gap reaching WST 3 million in 2028.

The strategies available to the PIDC to close the funding gap are outlined below.

3.1 Increase Funding from Existing Development Partners

The first strategic option to close the funding gap is to increase the existing grant to the PIDC. In the consultation, a donor observed that the level of grants had remained the same because the PIDC had not asked for more. The process for renegotiation of the funding agreement with Australia and New Zealand should therefore be reviewed.

The study recommends the following:

a. The Secretariat initiates the discussion with the donor at least one year out of the expiry of the existing agreement; and
b. The Secretariat should approach the discussion with existing donors from a viewpoint of increasing the amount and prepare the supporting documents which should include:
   i. The performance of the organisation especially the progress of the SFAs in the Strategic Plan;
   ii. Highlight the progress made by the PIDC in the major projects funded by the donors, the challenges that were faced, and how these were mitigated;
   iii. Highlight the benefits that the member countries have received from the donor funding;
   iv. Highlight the risks to the organisations and how these have been addressed; and
   v. Share with donors the projected financial gaps for the next three years.

3.2 Attract New Sources of Grants

With Australia and New Zealand as the only donors, the concentration risk to the PIDC is high. The consultations have revealed that there were no reasons why donors were limited to Australia and New Zealand. The members have called for the diversification of sources of grant funding. The PIDC should actively seek the interests of new development partners. The consultations have identified several potential development partners that could be approached to fund the PIDC.

This diversification of development partners should be approached in a systematic manner and with the right structure. The PIDC Secretariat should engage with the potential donors and prepare the supporting documents suggested in 3.1 above. Where possible, the Secretariat should invite the Board Chairman or Directors to participate in these negotiations.

A member suggested that any new donor should be agreed to by all members. The process for approving new donors should therefore be prepared. After the due diligence discussed in 3.3 below, the Secretariat should submit a paper to the Audit and Risk Committee for its views and to the Board for a decision.

3.3 Apply Due Diligence on New Donors

It is critical that the PIDC pursues equitable partnerships with its stakeholders, so that its interests are protected. Therefore, while it seeks to diversify its sources of funds, at the same time, it must properly screen potential donors to ensure that:

a) The assistance is in the best interest of members;
b) All donor conditionalities are transparent and well-articulated;
c) Any conflict of interest is avoided;
d) Risks are minimised and clear boundaries set to avoid issues such as "***ineligible expenditures***"; and
e) The mutual benefits for all parties are maximised.

The PIDC can adopt a model of donor due diligence that is available in the Pacific. However, as a start, the PIDC should keep this framework simple and easy to apply. The principles that PIDC could apply are:

a) Clear linkages to the PIDC priorities and not based entirely on donor priorities;
b) Predictability of the funding;
c) Flexibility;
d) Multi – year funding program;
e) Ease of administration;
f) Simple and clear line of reporting;
g) Clear and simple processes for project management;
h) Avoid conflict of interest;
i) Avoid conditions which are difficult to comply with;
j) Projects funded by the donors should be inclusive of all members;
k) Inclusion of project management fees;
l) Clear requirements for auditing of projects; and
m) Direct collaboration with PIDC

Based on the above principles, the Secretariat can develop a framework for donor due diligence to rank the new donor. A Sub Committee of the Board can undertake the due diligence and make recommendations to the Board.

3.4 Increase Capacity to Develop Projects for Funding

Australia and New Zealand offers project funding to the PIDC. An example is the funding to help countries during the COVID-19 by the DFAT. There is potential for the PIDC to increase its project funding. The organisation should therefore increase its capacity to develop projects that it could offer development partners to fund.

3.5 Strengthen Visibility

The satisfaction of the donors in the overall performance of the PIDC is perhaps the most important criterion in increasing future donor funding to the organisation. The PIDC is competing with other regional organisations for the same donor funding. It is therefore extremely important that the PIDC promotes its performance to the development partners.

Donor partners are paying increasing attention to the performance of the organisations that they support. Some donors are starting to periodically assess how well the implementation partners are delivering their programs.

The criteria that the development partners use to assess performance include:

a) The delivery of outputs to the standards required;
b) The value for money through ethical, efficient, and economical use of funds;
c) The ability of the organisation to work collaboratively and communicate effectively;
d) The compliance of the organisation to the donor's policies and the effective management of its risks; and
e) The demonstration of the organisation of effective leadership, management, subject knowledge, and oversight.

To generate more donor funding, the PIDC must increase its visibility and showcase its performance more than it is currently doing.

3.6 Improve Risk Management

The PIDC must show the existing and potential development partners and members that it is managing its risks effectively. Risk management has many components including the proactive identification of risks, mitigating measures to address the risks, defining the acceptable risk appetite, reporting, and monitoring the risks.

A strong Audit and Risk Committee is essential. While the consultation noted that there is an active Audit and Risk Committee of the PIDC, the members are selected from member countries. The study recommends that the members of the audit committee should be selected independently of member countries to include members with the right set of skills and experience.

3.7 Review the Members' Contributions

Members' contributions make up only 4% of total income of the PIDC. This is extremely low compared to other CROP agencies.

There are two sides to members' contributions which are driven by very different factors.

a. Total members' contributions; and

b. Distribution of the total contribution to each member.

The total members' contribution must be determined first. The allocation of the total members' contribution to members is discussed later in 3.9.

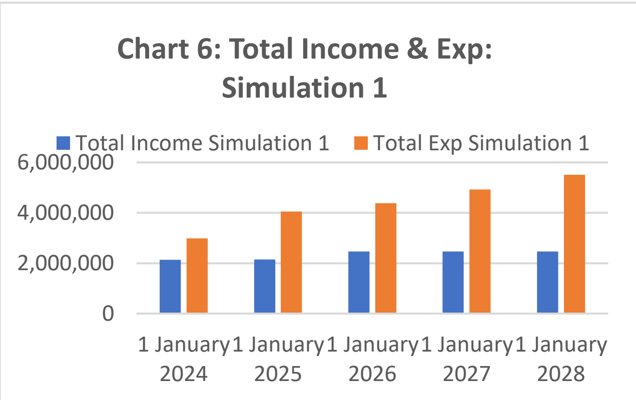
3.8 Determining the Total Members' Contributions

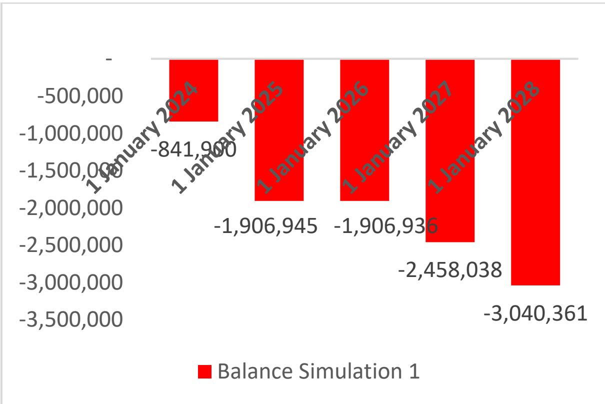
The total members' contributions cannot be determined in a vacuum. It must be linked to the wider issues of financial sustainability which, in turn, is linked to the demand for services by members.

The consultations clearly indicate that the services provided by the PIDC is both relevant and adequately reflect members' priorities. The members overwhelmingly supported a significant rise in the level of members' contributions. Obviously, the PIDC must present a strong case to demonstrate the concomitant increase in the value to the members from the higher contributions.

The value that members would get from higher member contributions is in the greater capacity of the PIDC to meet their growing demands. Over the past years, the Secretariat has been hampered from meeting the demands of members by the lack of funding which seriously affect the members' ability to meet their own needs. This unmet demand is bound to increase as the growing threats to the integrity of the region's borders rise. The PIDC Secretariat has estimated this demand from a review of the Strategic Plan and the feedback that it had received from members over the last few years.

In this study, the Simulation 1 of the FSUM attempts to determine the financial gap, which must be bridged if the PIDC is to continue to satisfy the demand for its services by members. This approach shows that the unmet demand will rise to WST 3 million in five years.





Simulation 1 assumes that the trend in income remains as they are in the Baseline. In such a scenario, the unmet demands (the gap between income and expenditure) are in the table below.

Table 5: Estimated Resource Gap

Year	Amount (WST)
2024	841,000
2025	1,900,000
2026	1,900,000
2027	2,458,000
2028	3,040,00

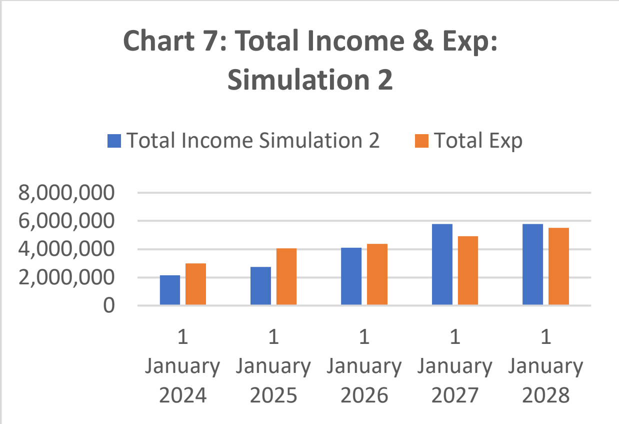
A part of this gap will be funded by the increase in existing development partners and the entry of new donors. As owners of the PIDC, the members must also shoulder the financial burden. As pointed out earlier, the amount of members' contribution to PIDC is one of the lowest in the region. The members receive multiple times their contributions in the services provided to them by the PIDC. Members are therefore receiving value for their contributions.

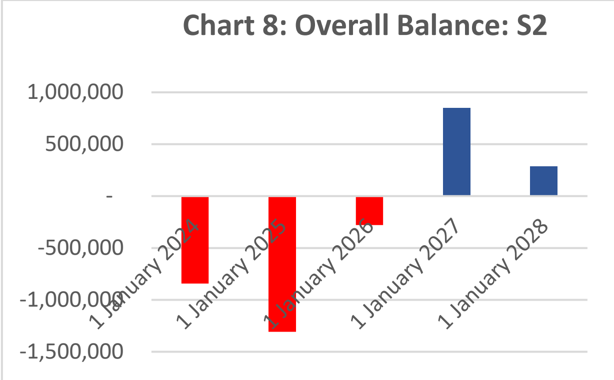
The key question is how much the total members' contributions should rise by. The results of the consultations are in Appendix 1. Many members said that the amount should at least be doubled and a few even suggested higher rates of increase. One member suggested that 30% of the total income should come from members. All the Directors supported an increase in total member contributions.

Simulation 2 attempts to distribute the financing gap between the potential sources of funding including membership fees. The methodology is along the following lines:

a. The total expenditure is estimated from the members' demand under each SFA of the Strategic Plan.
b. The projected funding from existing donors is based on the views expressed in the consultations and the perceived potential increase if the PIDC undertakes a proper negotiation as suggested in 3.1 above.
c. The projected funding from new donors is based on the PIDC Secretariat survey.
d. The support by the host country is raised according to 4% annual inflation.
e. After projecting all of the above income, the residual is deemed to come from the members' contribution.

In this manner, the demand from members is fully met by the greater ownership of members themselves in their PIDC.





Simulation 2 has closed the funding gap with surpluses in 2027 and 2028.

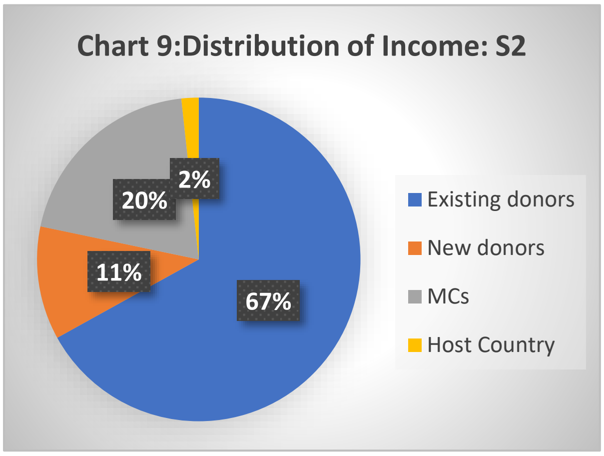
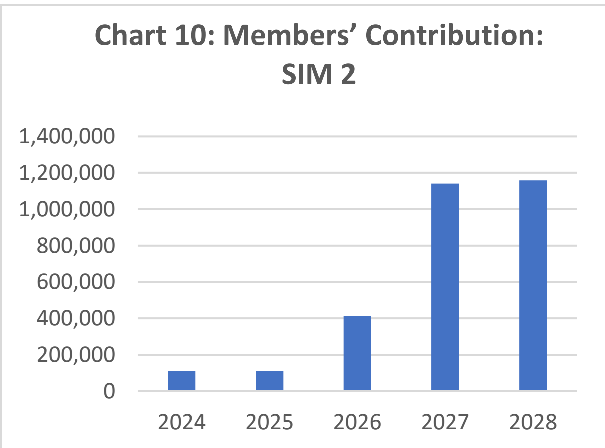


Table 6: Distribution of Income: Simulation

Income	Existing	Projected 2028
Existing donors	92	67%
New donors	0	11%
MCs	4	20%
Host Country	4	2%

Under this scenario, the members' contribution has risen from 4% of total income to 20% and the new donors have taken up 11%. As a result, while the burden share of existing donors has declined significantly, it still accounts for 67% of the total funding. But the ownership level by members has risen to 20% of the total income. As shown in Table 7, the 20% is in line with many CROP agencies.



Under this scenario, in dollar terms, the total members' contribution rises from the current level of WST 100,000 to just over WST 1 million in 2028. While this percentage may seem high, the absolute amount is still low. It means a rise of $1 million to be shared by 20 members. When this is shared under the distributive framework, this amount is a fraction of one percent of the governments' operating expenditure of each member.

To put the proposed increase in the total members' contribution in perspective, the ratio of members' contributions to total income of selected CROP agencies confirm that the PIDC is the lowest.

Table 7: Comparison of Total Member Contributions

Organisation	Contribution as % of total income	Total members' contributions (US$)
PFTAC	16.4	4,060,655
PIFS	24 targeted to rise to 55	2,056,541
FFA	6.5	2,050,416
SPC	14	1,902,143
SPREP	20	1,190,195
SPTO	26	666,442
OCO	20	321,531
PIDC	4	40,356

As a percentage of total income, PIFS is at 24% and the Pacific Leaders have agreed to a target of 55%. The ratios for similar sized organisations like SPTO and OCO are 26% and 20% respectively. Therefore, the proposed increase in the members' contributions to 20% of total income is well in line with CROP agencies of similar size to PIDC.

Two options can be explored for the increase in total member contribution to 20% of total income by 2028:

a. The first option is to raise the total contribution in tranches. An option is presented in Table 8.

Table 8: Proposed Rise in Total Member's Contribution

Year	% of total members' contributions to total income
2024	Current level of 4%
2025	8%
2026	12%
2027	16%
2028	20%

b. The second option is to increase the total contribution to 20% of income in one go. The members can choose a year that this increase will happen.

3.9 Review of the Distribution of the Total Members' Contributions

After the determination of the total members' contribution, the next step is to develop a framework to distribute the total to each member.

3.9.1 Existing Distribution

The members' contribution to PIDC is currently divided into four tiers. Countries in the same tier pay the same amount.

Table 9: Existing Tier of Allocation of Members' Contribution

Tier	Member countries	Amount paid by each country (NZD)	Total paid per tier (NZD)	% of total by each tier	% of GDP by each tier
Tier 1	1. French Polynesia 2. New Caledonia 3. Papua New Guinea 4. Samoa	5,250	21,000	33	80
Tier 2	5. American Samoa 6. Cook Islands 7. Fiji 8. Solomon Islands 9. Vanuatu	4,200	21,000	33	16
Tier 3	10. Kiribati 11. Marshall Islands 12. Tonga 13. RMI	3,150	9,450	15	2
Tier 4	14. FSM 15. Nauru 16. Niue 17. Palau 18. Tuvalu 19. Wallis and Futuna	2,100	12,600	14	2
	Total		64,050	100	100

The basis of the framework used for the distribution of members to tiers was unavailable to the study.

3.9.2 Principles of Burden Sharing

There are several principles that should guide the allocation of burden sharing:

a. **Fairness (Ability to pay).** The system used to share the burden should be fair to all members.
b. **Equity (User pay):** The system should be equitable to all.
c. **Simplicity:** The system should be simple and easy to recalibrate in future.
d. **Transparency:** The system should be transparent to all members.

Table 10: Assessment of Current PIDC Burden Sharing Framework

Principle	Score	Reasons
Fairness (ability to pay)	Very low	The tiers do not reflect ability to pay. An obvious example is Fiji being included in tier 2 when its economy and GDP per capita is higher than

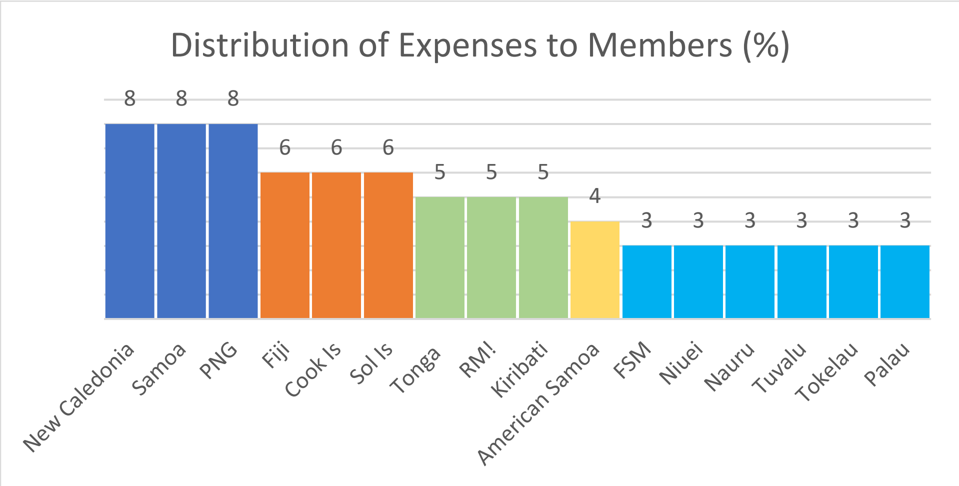
		Samoa who is in tier 1 and countries in the same tier 2 of Solomon Islands and Vanuatu.
Equity (user pay)	Low	Demand for services does not generally correlate with user pay. The PIDC is building a database of the amount of assistance it provides to each member.
Simplicity	High	The main advantage of the current system is its simplicity.
Transparency	None	The basis of the tier allocation is not known.

Allocating burden sharing is always sensitive. The biggest challenge in finding an acceptable solution for burden sharing is the wide diversity in sizes; with PNG alone making up nearly 50% of the region's GDP and some like Tokelau contributing only 0.2%. No matter how one can try to allocate shares, this diversity predominates and must be addressed.

This wide diversity brings up several important issues:

a. The first is the role of the larger countries amongst the members of the PIDC. The per capita income of New Caledonia is fifteen times more than PNG. The above clearly signifies the leadership role that the richer countries must play in the region to promote the development of all the countries in the region.
b. The second is that the PIDC has started to maintain a record of the assistance it provides to members. Examination of this pattern brings out two important issues:
    i. The value of services that the PIDC provides to each member is greater than the contributions by the member. This should be comforting to the members.
    ii. The distribution of the value of services in the chart below generally align to the member's contributions although there are a few anomalies which are to be expected in a diverse group of members.

Table 11: Distribution of the PIDC Services to Member Countries



c. The third is that the current levels of contributions in all four tiers are very affordable. For instance, the largest member contributor to the SPC is paying Euro 301,000 compared to only NZD 5250 in the PIDC.
d. The fourth is that the availability of macroeconomic data is an important issue for the region. The best economic variable to use in allocating burden sharing is the income of a member measured by the Gross National Income (GNI). The GNI includes inflows such as remittances which can be large for some countries. Unfortunately, GNI data is not available for all countries.

3.10 Distributive Framework

The basis of allocating assessed contribution in the PIDC has remained unchanged for some time. The table below outlines the basis of allocation by selected CROP agencies.

Table 12: Distributive Parameters Used by Selected CROP agencies

Organisations	Distributive Parameters
SPC	Government recurrent expenditure
PIFS	GDP
SPREP	GDP
PFTAC	GDP, GDP per capita and use of resources
FFA	Size of EEZ, Value of catch, Receipts from US Treaty, GDP, GDP per capita, land area, population.
OCO	Equally to all members
SPTO	GDP and tourist arrivals
PIDC	Unknown

Some general observations of the choice of the distributive framework are:

a. The OCO is the only agency that distributes members' contribution equally.
b. PIFS is the only organisation that uses one formula for all members including larger countries like Australia and New Zealand.
c. Three regional agencies have placed more weight on simplicity and opted to use only one variable in their formula. Most have chosen GDP as the single parameter. The SPC is the only organisation that has chosen government recurrent expenditure.
d. It is noteworthy that the PFTAC and FFA use several combinations of weights on the GDP, GDP per capita and the use of resources.
e. The FFA have introduced other variables such as land and population which may duplicate the use of GDP. This is considered not relevant to PIDC.
f. All organisations adjusted the burden sharing obtained from the raw results to introduce "reasonableness" of the distribution. This led to the grouping of countries into Tiers.

g. The number of groups varies from 3 in the FFA to 5 in the SPC. The demarcation lines between the tiers in the PIDC are not known.

3.11 Options for Sharing the Total Members' Contributions

Based on the above analysis and the comparison of the framework used by regional organisations, this review presents two options for consideration.

a. Option 1: No change

The first option is to leave the current 4 tiers of contributions unchanged. The major advantage of this option is that it will facilitate acceptance and is well understood. However, there are serious shortfalls in the current framework:

i. The basis of the allocation is not known. This may become a contentious issue as the organisation grows.
ii. The assignment of countries to their groups does not reflect the ranking of the GDP or GDP per capita.
iii. The basis of the member's assignment to each tier is not known.

It is important that the PIDC makes this allocative framework transparent in this review by considering Option 2 and 3 below.

b. Option 2: Weight GDP by an Income Indicator

Most CROP agencies choose GDP as its main indicator for sharing contributions. This is reasonable given that GDP generally reflects the size of the country and, to a lesser extent, the ability to pay. The GDP per capita introduces income into the size. This is relevant in the Pacific where smaller countries by GDP have a higher GDP per capita.

Table 13: Proposed New Tiers Under GDP Weighted by GDP Per Capita

Country	Ranking of GDP/GDP per capita	Existing Tier	Proposed Tier	Basis of the Tiering	Change of Status from existing tiers
NEW CALEDONIA/Wallis & Futuna	1	1	1	Weighted GDP between USD1,900,00 and 400,000	No change
FRENCH POLYNESIA	2	1	1		No change
PAPUA NEW GUINEA	3	1	1		No change
FIJI	4	2	2	Weighted GDP between USD150,000 to 40,000	No change
AMERICAN SAMOA	5	2	2		No change
COOK ISLANDS	6	2	2		No change
SOLOMON ISLANDS	7	2	3	Weighted GDP between USD39,000 to 12,000	Downgrade
VANUATU	8	2	3		Downgrade
PALAU	9	4	3		Upgrade
SAMOA	10	1	3		Downgrade

TONGA	11	3	3		No change
NAURU	12	4	4	Weighted GDP less than USD10,000	No change
RMI	13	3	4		Downgrade
FSM	14	4	4		No change
KIRIBATI	15	3	4		Downgrade
TUVALU	16	4	4		No change
NIUE	17	4	4		No change
TOKELAU	18	4	4		No change

c. Option 3: Weight GDP by a Demand for Services Indicator

Another reasonable option is to weight the GDP by the country's share of the total staff in immigration. The size of the immigration staff is used as a proxy for the demand for the PIDC services by the country. The major advantage of this option is that it introduces a measure of user pay into the formula.

Table 14: Proposed new tiers under GDP weighted by Organisation Size

Countries	Ranking on GDP/organisation size	Existing tier	Proposed New Tier	Rational for the tiering	Change in Status
New Caledonia/Wallis & Futuna	1	1	1	Weighted GDP is higher than 1000	No change
French Polynesia	2	1	1		No change
Papua New Guinea	3	1	1		No change
Fiji	4	2	2	Weighted GDP is between 999 and 300	No change
Cook Islands	5	2	2		No change
American Samoa	6	2	2		No change
Palau	7	4	2		Upgrade
Nauru	8	4	3	Weighted GDP is between 299 and 100	Upgrade
Vanuatu	9	2	3		Downgrade
Tonga	10	3	3		No change
FSM	11	4	3		Upgrade
Solomon Islands	12	2	3		Downgrade
Samoa	13	1	3		Downgrade
RMI	14	3	4	Weighted GDP is less than 100	Downgrade
Niue	15	4	4		No change
Kiribati	16	3	4		No change
Tuvalu	17	4	4		No change
Tokelau	18	4	4		No change

A comparison of option 2 and 3 shows the following pattern:

Table 15: Comparison of Options 2 and 3 for distributing members' contribution

Options	No change in status	Downgrades	Upgrades
GDP weighted by GDP per capita	12 members	• Vanuatu from tier 2 to 3 • Solomon Is from tier 2 to 3 • RMI from tier 3 to 4; • Kiribati from tier 3 to 4; • Samoa from tier 1 to 3	Palau from Tier 4 to 3
GDP weighted by the sizes of the organisation	11 members	• RMI from tier 3 to 4 • Solomon Is from tier 2 to 3 • Vanuatu from tier 2 to 3; • Samoa from tier 1 to 3	• Palau from Tier 4 to 3 • Nauru from tier 4 to 3 • FSM from tier 4 to 3

The major difference between the two options is the number of upgrades. The number of upgrades in Option 2 (weighted by GDP per capita) is only one while there are 3 in Option 3 (weighted by organisation size). All the upgrades are for the Small Island States (SIS).
While there is little to distinguish between the two options, Option 2 is preferred simply because it would minimise the changes to the existing tiers. Palau would be the only member to upgrade from tier 4 to 3 due largely to its higher GDP per capita.

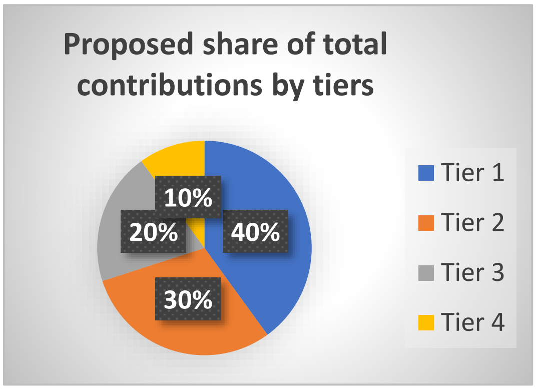
The allocative framework above ensures a transparent and consistent basis for distributing the total members fees.

3.12 Allocating the Amount to Each Tier

Once the total amount of the members' contribution is determined, the next step is to develop a system to allocate the amount to each tier. There is no information on how the amounts were allocated to the four tiers in the existing system. It appears that NZD1,000, was used to arbitrarily separate the amounts of contributions between tiers.

It is essential to transparently divide the total members' contributions between the four tiers. To do this, the share of the GDP weighted by GDP per capita of each tier is applied to the total members' contributions.

Table 16: Proposed New Tier Distribution



Tiers	Proposed share of the total contributions	# of countries in the tier	Share per country
Tier 1	40%	3	13.33%
Tier 2	30%	3	10.00%
Tier 3	20%	5	6.67%
Tier 4	10%	7	3.33%

Using the template above, the distribution of existing contributions would be in the table 17 below.

Table 17: Proposed Allocation of Tiers

Proposed Tiers and Country	Existing Contribution (NZD)	New Contribution Using the New Sharing Arrangement (NZD)
Tier 1	**15,750**	**40% = $25,620**
New Caledonia	5,250	8,540
French Polynesia	5,250	8,540
Papua New Guinea	5,250	8,540
Tier 2	**12,600**	**30%= $19,215**
Fiji	4,200	6,405
American Samoa	4,200	6,405
Cook Islands	4,200	6,405
Tier 3	**18,900**	**20% = $12,810**
Solomon Islands	4,200	2,562
Vanuatu	4,200	2,562
Palau	2100	2,562
Samoa	5250	2,562
Tonga	3150	2,562
Tier 4	**16,800**	**10% = $6,405**
Nauru	2,100	828
RMI	3150	915
FSM	2100	915
Kiribati	3150	915
Tuvalu	2100	915
Niue	2100	915
Tokelau	2100	915
Total Contributions	**$64,050**	**$64,050**

The new template has redistributed the burden from the Small Island States to the bigger and more affluent members in Tier 1 and 2. This will protect the SIS when the total contribution rises in future.

3.13 Introduce Voluntary Members' Contribution Option

The study was informed that members had expressed a willingness to contribute more to PIDC than their allotted shares. This is commendable. To cater for these members, the PIDC should consider a separate new revenue stream of voluntary members' contributions. This will avoid compromising the integrity of the assessed contribution.

The PIDC should enter into a three-year agreement with the voluntary contributors. As much as possible, these voluntary contributions should be unconditional allowing the PIDC to make the decision how these funds are used.

3.14 Systems Development Fund

It is essential for the PIDC to design and develop systems such as IT to help deliver its services to members. The cost of developing these systems can be large. To assist in funding this overhead, the PIDC should be allowed to charge a project management fee to development partners. Based on regional practises, this fee could be levied at 10% of the project cost.

Part Four: Transition and Final Remarks

4.1 Transition to the New Framework

The report has presented a case for an increase in total member contributions and a new framework of distributing the share to each member in a logical and transparent manner.

The major components are as follows:

a. Determined the total members' contribution to 2028 to close the resource gap needed to satisfy the demand from members.
b. Ranked the member countries according to their GDP weighted by GDP per capita.
c. Determined a logical system that allocate countries into four tiers.
d. Determined a framework to allocate the total members' contributions to each tier.
e. Proposed that the members of each tier pay the same amount.

The PIDC should minimise the impact on members moving from the existing to the new framework. A phased implementation should therefore be considered.

The PIDC can consider the following:

a. The PIDC to approve the new level of total contributions to rise to 8% of total income in 2025.
b. Change the distributive framework in 2025 to GDP weighted by GDP per capita as in Table 17.
c. The PIDC allows total contributions to rise to 12% of total income in 2026, 16% in 2027 and 20% in 2028 as in Table 8.

4.2 Concluding Remarks and Board Recommendations

As the PIDC enters its growth phase, it must aspire to its Vision of becoming the leading agency in the Pacific on immigration. Global and technological developments make the environment of keeping the borders safe and secure more challenging. The PIDC therefore must remain relevant to its members.

The PIDC faces a challenging financial situation in its desire to fulfill the increasing demand for its service by members. This was clearly borne out from the consultations of this study., The PIDC can build on the respectable pool of goodwill from its development partners.

Members believe that the PIDC is an effective organisation. The benefits of the services of the PIDC are fully appreciated by the members. The PIDC should take the initiative to build on this reputation and undertake greater marketing of its work to members.

The study has recommended a way forward which will raise the resources available to the PIDC to effectively undertake its work. With the goodwill of its members, the leadership of the region's larger members, and the assistance of development partners, the PIDC should be able to fulfil its Vision to "***Secure international movement of people for the safe and prosperous Pacific Communities.***"

The study proposes that the Board of the PIDC consider the following main recommendations:

1. **approve** the new level of total contributions to *rise to 8% of total income in 2025*;
2. **adopt option 2** for sharing assessed contributions as it should minimize the changes to the existing tiers;
3. **approve** the distributive framework in 2025 to GDP weighted by GDP per capita as in table 17; and
4. **endorse** total contributions to *rise to 12% of total income in 2026. 16% in 2027 and 20% in 2028 as in table 8.*

Appendices

Appendix 1: Results of the Survey

A survey was undertaken of the PIDC members and Board Directors. The results are graphically presented below.

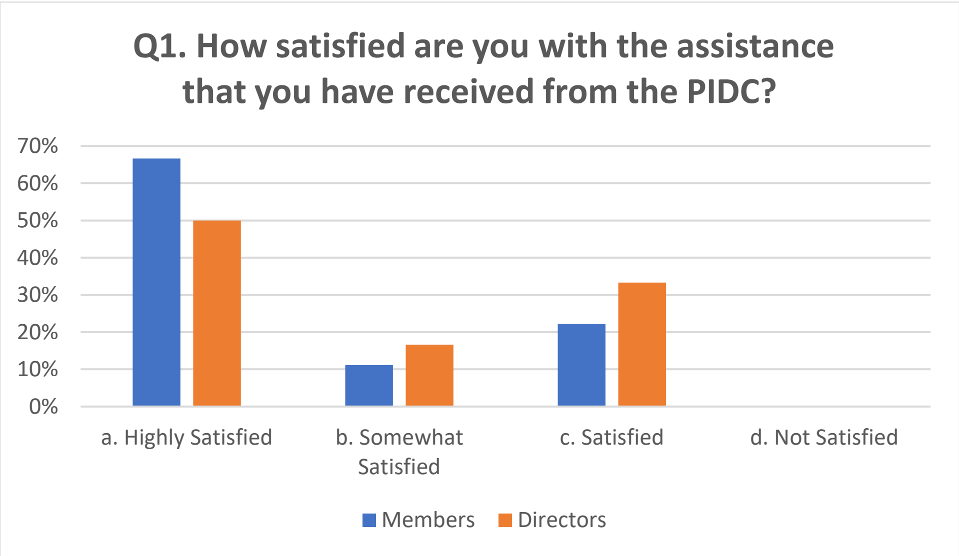
Respondents

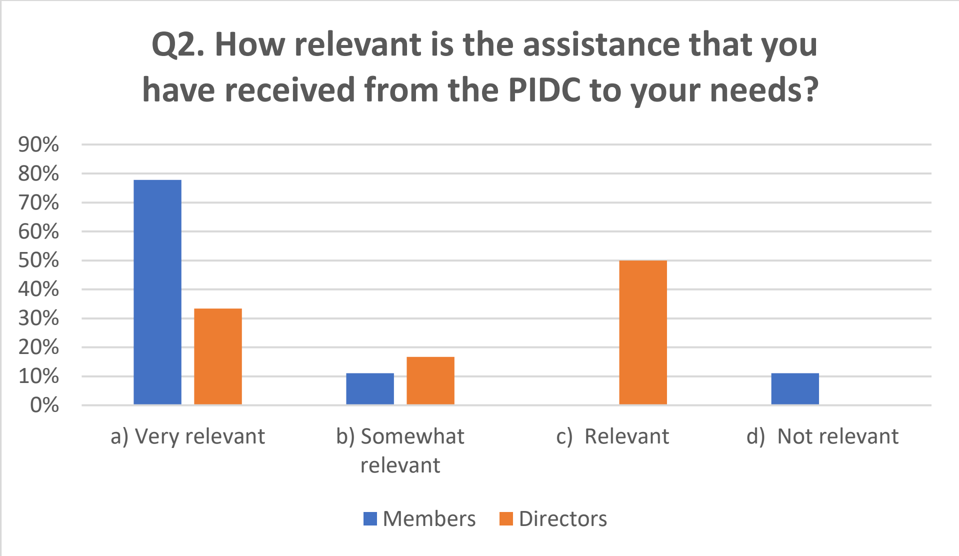
(a) Members

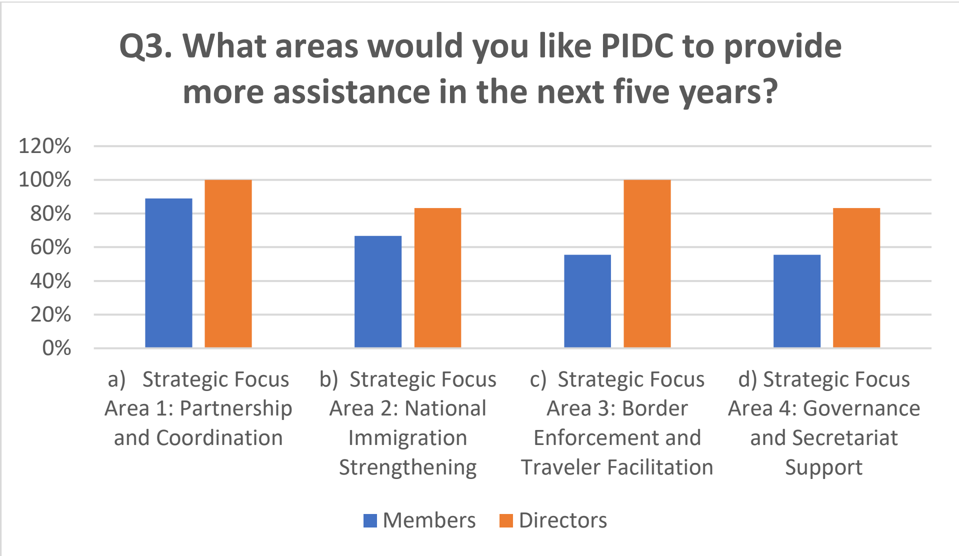
# of Members	18
# of respondents	11
% of respondents	61%

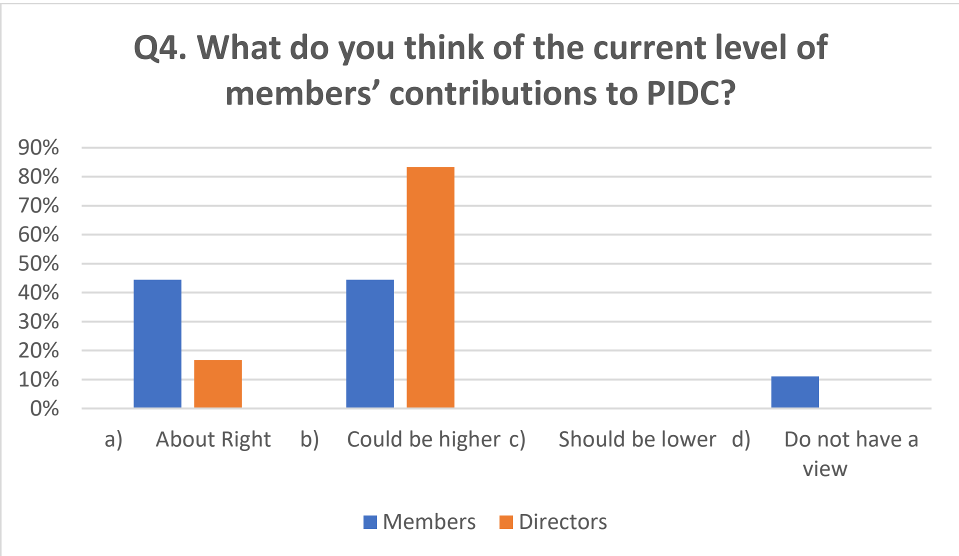
(b) Board Directors

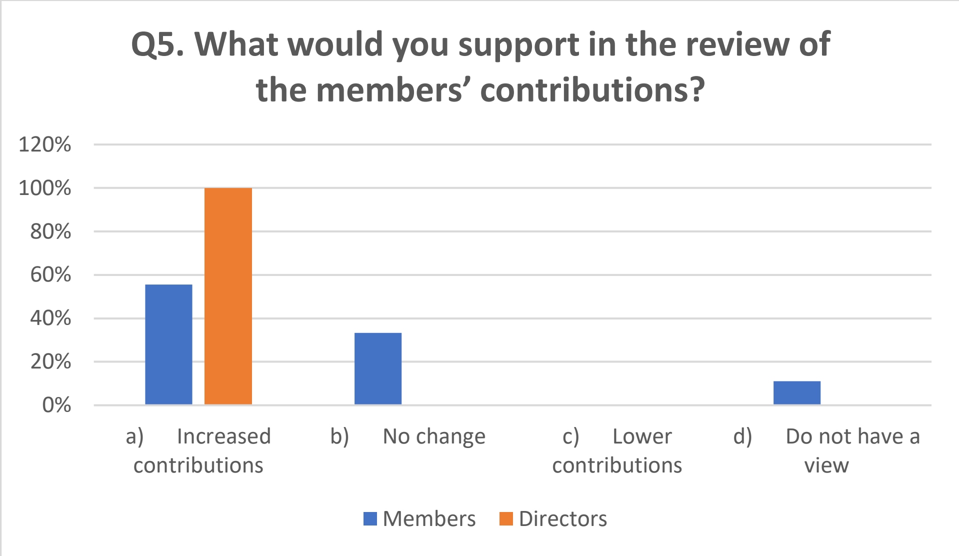
# of Directors	9
# of respondents	5
% of respondents	72%

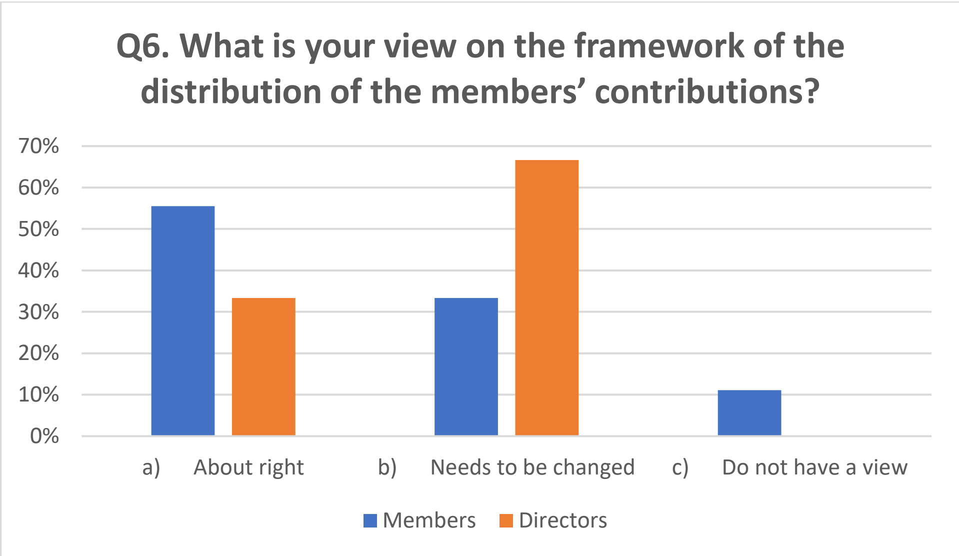



Q2. How relevant is the assistance that you have received from the PIDC to your needs?
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
a) Very relevant
b) Somewhat relevant
c) Relevant
d) Not relevant
Members
Directors


Q3. What areas would you like PIDC to provide more assistance in the next five years?
120%
100%
80%
60%
40%
20%
0%
a) Strategic Focus Area 1: Partnership and Coordination
b) Strategic Focus Area 2: National Immigration Strengthening
c) Strategic Focus Area 3: Border Enforcement and Traveler Facilitation
d) Strategic Focus Area 4: Governance and Secretariat Support
Members
Directors


Q4. What do you think of the current level of members' contributions to PIDC?
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
a) About Right
b) Could be higher
c) Should be lower
d) Do not have a view
Members
Directors





Other Comments

1. The Benefits from the members through PIDC support is huge compared to the contributions paid. Also noting the increase in the costs after the COVID it is important to review our costs to accommodate the increase in the costs.
2. Some small island members are allowed to be members of two groups. Each member should only be a member of one group.
3. The Tier classification of membership contribution should be very clear as well as the grouping of membership contribution criteria.

4.	An increase in membership fees is important to generate the funding needed for PIDC to meet members' needs. There are already instances of unmet need. The fee structure should take account of the size of administrations but have regard to what is done with other regional bodies. The Secretariat and Members will need to work together to generate the justification and value proposition for an increase. While much of that work must reside with the Secretariat, Members will need to be open to the possibilities that would arise through more resources and to think in terms of what that would mean for their administrations. In this way, the value is clear to all.
5.	No objection to the increase as well, because of changes in our budget.
6.	Entry of new development partners should be agreed to by all the members.
7.	The Organisation will need to have a strong and sustainable financial position to continue to support member countries. Border security dynamics are changing rapidly and more complex to date. Member countries will need support to respond to these changes through strategic and contextualized approaches, strong policy and legislative mechanisms, integrated border management systems and well trained officials.
8.	Membership contributions are an important basis of commitment to the growth of the Organisation through unity and solidarity. An increase in membership contributions will help the Organisation undertake other untapped areas which are deemed important to member countries to better equip them to manage their national borders.
9.	This review can help the Organisation position itself in a broader scope of assistance and support which will allow it to respond to the needs of member countries more effectively.