SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

Twenty-Second SPREP Meeting

Apia, Samoa

13 – 15 September 2011

Agenda Item : 9.2

SDR Stabilisation Mechanism

Purpose of paper

1. To present to the SPREP Meeting the current impacts of the Special Drawing Rights (SDR) and to seek endorsement of a proposed interim measure to minimise adverse impacts on professional staff salaries.

Background

2. Remuneration for professional staff positions within all CROP agencies are denominated in International Monetary Fund Special Drawing Rights (SDRs). Monthly salaries and allowances are paid out based on the monthly average rate SDR/WST within a range of 5% above and below an annual reference rate which is based on the average conversion rate of the previous 12 months. This approach follows the CROP-wide harmonisation principles on remuneration which has been endorsed by the SPREP Meeting as the guiding principles for remuneration for SPREP staff.

3. This had worked well for a number of years but due to the recent changes in the global market and the high volatility of exchange rates, particularly the significant weakening of the US dollar, this approach has had huge adverse impacts on the salaries of the Secretariat's staff which is now a major issue for staff recruitment, retention and motivational issues.

4. The following table summarises the reference points for the SDR in the last 5 years, as well as projected reference point for 2012 based on the first 8 months of 2011:

Year	Floor	Mid-Point	Ceiling	% movement
2012	3.5693	3.7572	3.9451	**-0.2067**
2011	3.7564	3.9541	4.1518	-0.2081
2010	3.9541	4.1622	4.3704	0.0566
2009	3.9003	4.1056	4.3109	0.0996
2008	3.806	4.006	4.2063	-0.092
2007	3.893	4.098	4.302	0.093

Table 1: SDR movement 2007 – 2011 with projected 2012 reference points

5. Table 1 shows slight increases in 2007, 2009 and 2010. There was a slight decline in 2008 however the dramatic drop in the rates for 2011 has had a huge impact on the actual take-home pay of staff.

6. In January 2011, decreases in monthly salaries from December 2010 experienced by professional staff ranged from USD$220 to USD$750. These salaries from January 2011 have remained for the last 8 months as the SDR has remained on the floor since then. It is highly likely these will continue for the last 4 months of the year therefore, reductions in annual salaries will be expected to range from USD$2,600 to USD$8,900. These reductions in salaries have had a huge impact on staff morale given their current take-home salaries have declined from when they were initially recruited, one or two years ago. In terms of recruitment, for a staff who was recruited on SDR30,000 four years ago, the take-home pay would have been USD$50,900 per annum. To recruit someone on the same SDR level now, the take-home pay would be USD$49,100 per annum.

7. Based on the first 8 months of 2011 SDR rate, it is projected that there will be a similar drop for the reference point for 2012 therefore it is expected there will be further drops in monthly salaries within a similar range as 2011.

8. Annual market data increases aside, a staff member who experienced a USD$750 decrease in salary in January 2011 will have a further similar decrease in January 2012. After employment at the Secretariat for 2 years, the staff member is worse off.

PROPOSED INTERIM MEASURE

9. Given the undesirable impacts outlined above on staff recruitment, retention and morale, the Secretariat is proposing that an interim measure be put in place to minimise the negative effects whilst awaiting the 2012 Triennial Review for professional staff, where a number of remuneration issues like the SDR will be thoroughly reviewed.

10. Because of the continuous decline in the SDR, the Secretariat is proposing as an interim measure that the average of the last 3 years be used to determine the reference points for 2012. Assuming the SDR remains below the floor for the last four months of 2011, then the reference points for 2012 recommended through this proposal would be:

Floor	Mid-Point	Ceiling
3.8703	4.0740	4.2777

11. The above proposal provides a slight increase from the current reference points and some respite for staff from the adverse impacts of the 2011 decreases.

12. This is an interim measure. The 2012 Triennial Review for professional staff will take place in the last quarter of 2011 and the first report to the CROP executives is expected in early 2012. The Terms of Reference of the Review covers full review of remuneration issues including the SDRs. The Secretariat will inform the 2012 SPREP Meeting of the outcome of this review and options to take in relation to the SDR and this proposed interim measure.

Human Resources & Financial Implications

13. Estimated funding to move from current floor to proposed floor of the interim measure is approximately USD$82,000. This cost is provided for in the 2012 budget to cater for unexpected fluctuations in the exchange rates and is funded from expected savings from the drop in salaries in 2011.

14. The proposed interim measure will no doubt minimise the adverse impacts of the SDR decline for staff in the last 8 months. This will go a long way towards staff retention and morale and will also assist in addressing recruitment-related issues.

Recommendations

15. The Meeting is invited to:

- **approve** the adoption of the average of the last 3 years as an interim measure for setting the reference points for SDR for 2012.

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18 August 2011