

## OPTIONS TO REDUCE COSTS

PREPARED BY: IOTC SECRETARIAT, 06 APRIL 2013

### BACKGROUND

1. This document provides the information requested in the report of the last Session of the SCAF (para.49) :

*The SCAF **RECOMMENDED** that the Executive Secretary together with the Chair of SCAF prepare an options paper for the next SCAF meeting, which offers options to reduce costs and the associated impacts of those reductions.*

### BUDGET COSTS

2. The functioning of the Commission is largely funded by the contribution of Members but over the past few years the Secretariat has been accessing extra budgetary funds to support some of its activities that, normally, would not have been funded under the regular budget. The Members contributions particularly fund the staff cost, running cost of the Secretariat, travel and some activities in support of the Members. The extra budgetary funds are used to finance special projects such as the recent tagging symposium, compliance support missions and some capacity building activities.
3. Each year Members have continued to request the Secretariat to carry out additional activities. At the same time some Members are concerned with the increases in the budget to try to meet this growing demand. In an effort to minimise the impact on the regular budget, the Secretariat has actively sought extra budgetary funds to finance these extra activities. While the Secretariat may be able raise sufficient funds to support all the anticipated activities there is the challenge of not having adequate human resources to absorb the increasing workload. There are no easy solutions, on one hand an increasing demand from CPCs and, on the other hand, a call to reduce the budget. Members should however be mindful that any significant reduction in the budget could result in efficiency loss and a worse off Secretariat.
4. The actual expenditure (US\$) of the Secretariat over the past five years is highlighted in the table 1 below.

**Table 1: Actuals by Budget Category US\$ (2008–2012)**

Budget Category	2008	2009	2010	2011	2012
Administrative Cost	989,211	964,842	956,933	1,208,283	1,419,699
Operating Expenditure	437,344	586,482	594,960	767,873	767,133
Less Seychelles contribution	15,308	10,984	10,984	10,076	10,016
FAO servicing Cost	64,195	69,315	69,835	89,173	98,407
<b>Total Expenditure</b>	<b>1,475,442</b>	<b>1,609,955</b>	<b>1,610,744</b>	<b>2,055,253</b>	<b>2,275,163</b>

The administrative cost (60% on average) accounts for the highest expenditure of the Secretariat, and relates to the salaries and entitlements, which are based on the FAO rules and regulations. These costs are very difficult to reduce unless we abolish posts and at this point in time this is not recommended. The capacity of the Secretariat has been built to a sufficient level able to respond the current and emerging needs. The other large components of the budget (using the 2011 actuals) are travel (12.7%), interpretation (6.5%), translation cost (4.7%) and FAO servicing cost (4.3%). These cost are highly variable depending on the activities taking place each year. Possible cost reduction in the budget therefore could be achieved by changing the way the Secretariat operates.

5. Obviously while seeking ways to reduce budget, effort should be made to seek extra budgetary funds to implement key activities requested by the Commission but at the same time explore revenue-generation possibilities. Some revenue options are presented in Table 2.
6. Table 2 provides a list of options with potential actions and the estimated saving that could be achieved. The potential estimated saving is within a range of 80,000 and 220,000 US\$ depending on the choice of options or a combination.

### SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- NOTE** the information presented in the document.
- RECOMMEND** a course of action, including priority, with respect to the implementation of the options presented.

**Table 2: Options for Cost Reductions and Possible Revenue Generation**

Options	Potential Actions	Estimated Savings (based on 2013 Budget estimates)	Potential Consequences (positive or negative)
Reduce the number of meetings held outside of IOTC Headquarters.	<p>Except for the Commission meetings, have the Scientific Committee meetings and all the Working Parties in Seychelles (IOTC HQ).</p> <p>Countries who wish to host any of these meetings should bear the full hosting cost.</p> <p>Cancellation of all functions associated with the meetings</p>	<p>Travel Cost - 81,000 US\$</p> <p>Other Support Cost - 5,000 US\$</p> <p>3,000 US\$</p>	<p>Reduced opportunities to interact with fisheries administration in the hosting country.</p> <p>Possibly some cost implications for the Meeting Participation Fund - Seychelles may be a more expensive than other venues but not entirely.</p> <p>No Impact</p>
Limit access to the Meeting Participation Fund	<p>The meeting participation fund to be used pay for the air tickets only.</p> <p>Limit the funds to Least Developing Countries (LDC).</p>	<p>110,000 US\$ (average 3,000 USD per participation based on 2012 MPF disbursement)</p> <p>Nine IOTC CPCs currently classified as LDC (140,000 US\$) - with 3 trips per country @ 3,000 US\$ per participant) - Only four LDCs active.</p>	<p>Reduced participation of CPCs in the Commission meetings, in particular from the developing countries.</p>
A freeze on recruitment	No recruitment for the next three years except for staff replacement.	Zero increases in salaries	A dependency on consultants to carry out certain activities.
Operating Costs	Reduce telephone cost, vehicle running cost, and other daily office running cost.	3000 US\$	No foreseeable consequence
Cost of tea & coffee during IOTC meetings	Reduce tea and coffee to one per day (unless paid by the host).	3,500 US\$	Members may complain
FAO Project Service Cost	Reduce the FAO Project Service Cost from 4.5 % to 3%.	35,000 US\$	FAO Finance Committee may reject this proposal.
<b>Revenue Generation</b>			
Revenue seeking	<p>Charge the listing of vessels on the IOTC Record of Authorised Vessels @ 150 USD per vessel &gt;24 metres per year. There are about 2,800 active vessels</p> <p>IGO/NGO registration fee of 500 USD.</p>	<p>420,000 US\$</p> <p>5000 US\$</p>	<p>CPC may resist adding any further cost to their fleets.</p> <p>Less NGO participation.</p>
Engage with multilateral donors	Increase engagement with multilateral donors and seek synergies with regional and/or national projects.		Alignment of regional projects and/or national projects to respond to IOTC commitments.