
CONTRIBUTIONS OUTSTANDING: 2014

PREPARED BY: IOTC SECRETARIAT, LAST UPDATED: 11 MARCH 2015

PURPOSE

To inform the Standing Committee on Administration and Finance (SCAF) of the arrears in contributions to the Commission and actions taken to confront the deficit caused by unpaid contributions.

STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2014

1. As reported in the Financial Statement (IOTC–2015–SCAF12–03), [Table 1](#) indicates the status of contributions as of December 31st 2014 in United States Dollars (US\$), as reported to the IOTC Secretariat by FAO Administration and Finance. Note that the budget of IOTC is entirely autonomous, and paid for exclusively by its Members, as no financial contributions are made from the Food and Agriculture Organization of the United Nations (FAO) Regular Programme.
2. The cumulative total of outstanding contribution payments has increased from US\$1,407,696 as of December 31st 2013, to US\$1,962,795 as of December 31st 2014, an increase of US\$555,099 (40%). In 2013 the increase was 33%. Fifteen (15) Members have payments in arrears (see Financial Reg V.3).
3. There is an immediate risk of shut-down of the IOTC due to unpaid contributions. FAO’s project cycle financial rules, which govern the administrative and financial processes of the IOTC, do not permit over-expenditure against contributions received within a given project. As at 31st December 2014, the IOTC is approximately US\$2,000,000 over-spent due to unpaid contributions from Membership (matching arrears in contributions). IOTC staff costs alone (approximately US\$2,000,000) were narrowly met by paid contributions in 2014. Remaining operating expenditures have not been covered by the received contributions in 2014. FAO has indicated that the future IOTC staff extensions and operating costs can only be made with sufficient funding available for the requested extension and costs. In effect, sufficient funding (**cash**) does not currently exist for extensions of the IOTC staff and operating costs.
4. The delay in the submission of the contributions is not entirely unexpected, as ‘*Call for Funds*’ letters were sent by FAO towards the end of August 2014, through the usual diplomatic channels, and some administrations may not have completed the processing of the invoices. As of the reporting date, eight (8) Members have contributions that are in arrears by two (2) years or more: Eritrea; Guinea, I.R. Iran; Pakistan; Sierra Leone; Sudan; Vanuatu; and Yemen. In the past few years the Islamic Republic of Iran has encountered difficulties to submit funds through regular banking channels to the accounts provided by FAO, although a transfer for US\$44,599 (representing a 2003 contribution) was made in 2014 by depositing funds with the office of the FAO Representative in Tehran. This option is only available for limited funding and at the discretion of FAO.

Table 1. Status of Member contributions to the IOTC autonomous budget (in US\$)

Member	1 Outstanding contribution as of 31 December 2013 (all years)	2 Contribution due for 2014	3 Received contributions in 2014	4 Total contributions in arrears as of 31 December 2014 (2014 Budget)
AUSTRALIA	0	147,674	147,674	0
BELIZE	0	37,734	37,734	0
CHINA	0	84,233	84,233	0
COMOROS	25,305	24,805	25,264	24,846
ERITREA	149,033	22,512	0	171,545
EUROPEAN UNION	0	667,047	667,047	0
FRANCE	0	121,266	0	121,266
GUINEA	110,682	22,268	0	132,950
INDIA	1,784	125,362	127,146	0
INDONESIA	0	237,307	237,307	0
IRAN	540,567	138,349	44,599	634,317
JAPAN	0	185,793	185,793	-
KENYA	33,457	22,410	40,349	15,518
KOREA, Rep. of	0	139,302	139,302	0
MADAGASCAR	7,856	26,550	14,151	20,255
MALAYSIA	0	63,805	64,805	(1,000)
MALDIVES	0	101,409	101,409	0
MAURITIUS	0	50,295	50,295	0
MOZAMBIQUE	0	23,484	0	23,484
OMAN	0	144,032	144,032	0
PAKISTAN	185,024	77,692	0	262,716
PHILIPPINES	0	50,223	50,223	0
SEYCHELLES	0	89,756	89,756	0
SIERRA LEONE	40,214	9,739	21,795	28,158
SOMALIA	0	4,792	4,792	0
SRI LANKA	0	100,393	0	100,393
SUDAN	200,128	37,638	0	237,766
TANZANIA	0	24,308	24,308	0
THAILAND	0	60,899	50,920	9,979
UNITED KINGDOM	0	121,313	121,273	40
VANUATU	61,154	37,715	37,690	61,179
YEMEN	52,492	66,891	0	119,383
Total		3,066,996	2,511,897	555,099 (2-3)
Total including all Arrears	1,407,696			1,962,795 (1+4)

DEFICIT CONTINGENCY BUDGET LINE

5. As reported in the 2014 Contributions Outstanding paper (IOTC–2014–SCAF11–09), the non-payment of contributions to the Commission has an immediate negative impact on the IOTC. The trend of non-payment of contributions has increased in the last six (6) years and, should this trend continue, IOTC operations and delivery on the Commission’s recommendations may have a debilitating affect. [Fig. 1](#) reflects the gap between contributions due and received within the last six years. This represents an average yearly increase of 23%. If you look at the average gap of contributions in the last three years, the average yearly increase is 35%. The total outstanding contributions in 2009 were approximately US\$822,000 and in 2014, it is approximately US\$2,000,000. This represents a 143% increase. If this trend were to continue, the projected unpaid contributions in 2018 would be approximately US\$3,000,000. This is detrimental in terms of deficits the Commission absorbs each year and is a direct reflection of the Commissions budgetary status.

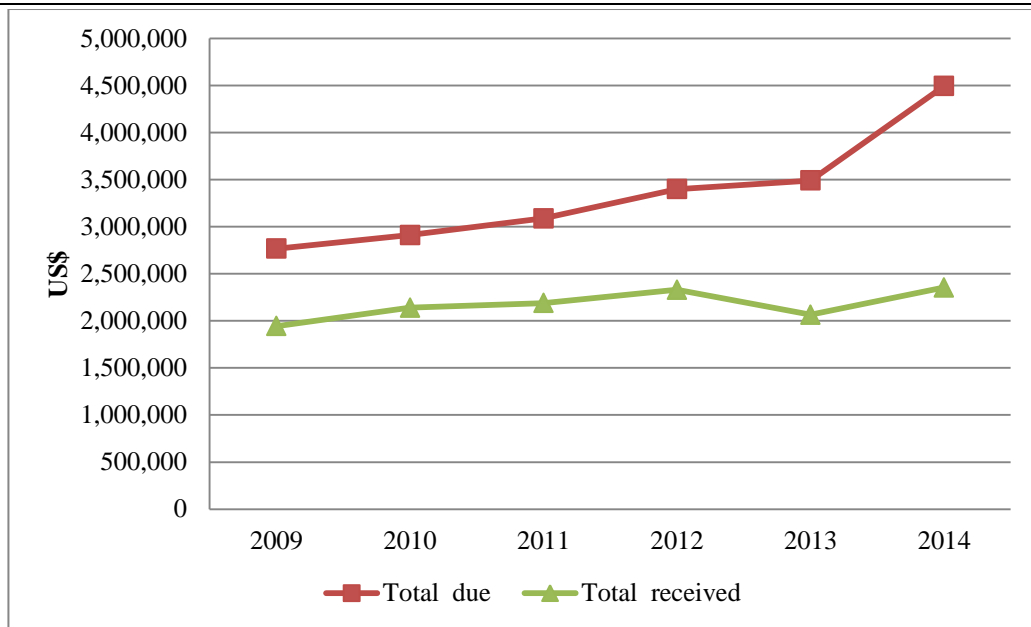


Fig. 1. Status of Member contributions from 2009–14 (in US\$)

6. As reported in the Programme of Work and Budget 2016 and Indicative Budget for 2017 (IOTC–2015–SCAF12–05 – para. 69), a Deficit Contingency line has been incorporated to account for long-term, non-paying IOTC Members who have not paid their 2014 annual contribution. This budgeting action is necessary, on an annual basis, to off-set the deficit and negative effect that unrealized contributions have on the operations and effectiveness of the Commission. Historical arrears in contributions stand at approximately US\$2,000,000 and an annual contingency measure to counter this deficit is immediately necessary.
7. No commitments will be made against the Deficit Contingency allocation and once a balanced budget is achieved (where contributions match expenditure and budget) the Deficit Contingency allotment may be re-evaluated by Membership. The 2014 non-paying members included in this budget calculation (total US\$375,089) are: Eritrea US\$22,512; Guinea US\$22,268; I.R. Iran US\$138,349; Pakistan US\$77,692; Sierra Leone US\$9,739; Sudan US\$37,639; and Yemen US\$66,892.
8. In the current non-paying contribution scenario, it is forecasted that the Deficit Contingency budget line will be required for five (5) years, with a 20% increase per year, before a balanced budget can be achieved: 2016 – US\$375,091; 2017 – US\$450,111; 2018 – US\$540,133; 2019 – US\$648,160; and 2020 – US\$ 777,792. When long-term, non-paying IOTC Members honour outstanding commitments to the IOTC, the Deficit Contingency budget will be reduced, in the following budget year, by the matching annual contribution amount paid. For example, if Guinea honours its 2014 annual contribution of US\$22,268 (between the current date and end 2016), the 2017 Deficit Contingency budget line will be US\$427,843.
9. It is important to note that the Deficit Contingency budget line is not the solution to the issue of un-realized contributions from Members. This is an emergency, stop-gap measure to provide liquidity and budgetary responsibility to Membership. Further action is required by Membership to address the serious problem of un-paid contributions.

CONTRIBUTIONS-BASED EXPENDITURE

10. The IOTC is administered as a project under FAO’s Project Cycle guidelines. Therefore, a significant risk remains that FAO impedes expenditure against the project until received contributions match expenditure. A contribution-based expenditure approach, along with the Deficit Contingency budget, will eventually bring expenditures in line with contributions.
11. It will not be possible to enact a contributions-based expenditure policy until the outstanding deficit is balanced. Administrative expenditures, alone, almost match contributions received (2015 Administrative expenditures: approximately US\$2,200,000 and contribution receipts in 2014: approximately US\$2,300,000). With budgetary discipline, a balanced budget will be realized and a contributions-based expenditure will be implemented.

CLASSIFICATION OF IOTC AS A FAO PROJECT

12. The Chairperson of the IOTC has addressed the Director-General FAO (IOTC Ref: 5460) on 18 July 2014 concerning the Improved Cost Recovery Uplift (ICRU) and also addressed the IOTC status as a project within FAO's field project structure. It was stated that *“as a Regional Fisheries Management Organization (RFMO), IOTC has been in existence approximately 20 years and, as an Article 14 body within FAO, is administratively placed under a field project structure, which was also a concern raised by the members. While this may be the most appropriate administrative solution, in reality the IOTC does not function as project but as a continuous, fully functional, independent decision-making and autonomous inter-governmental body. The Commission is of the opinion that this status of IOTC should be taken into account when applying rules and regulations, especially those pertaining to projects, in spite of being considered as a project by FAO for administrative purposes.”* To date, there has not been a response in regard to the IOTC's status as a project within FAO.

SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **NOTE** the information presented in IOTC–2015–SCAF12–03 and this paper IOTC–2015–SCAF12–07;
- b) **RECOMMEND** a course of action to the Commission, including priorities, with respect to the Deficit Contingency Budget and Contributions-based Expenditure;
- c) **RECOMMEND** a course of action to the Commission to the address the status of the IOTC as an FAO Project under the FAO structure;
- d) **RECOMMEND** that the Commission discuss other possible measures that could assist with the management of the current deficit.