

## EFFICIENCY AND COST-EFFECTIVENESS

PREPARED BY: IOTC SECRETARIAT, 20 JANUARY 2015

**REVIEW AREA:** *Financial and administrative issues*

**GENERAL CRITERION:** *Efficiency and cost-effectiveness*

**DETAILED CRITERIA:**

- Extent to which the IOTC is efficiently and effectively managing its human and financial resources, including those of the Secretariat and eligibility of the staff to all entitlements paid to FAO.
- Extent to which the IOTC is managing its budget as well as its capacity to monitor and audit annual and multiannual expenditures.
- The extent of IOTC's viability within and outside of the FAO structure in term of the cost and the benefits of breaking from the UN administrative structure and mandate.

### SUPPORTING INFORMATION

#### **1. Extent to which the IOTC is efficiently and effectively managing its human and financial resources, including those of the Secretariat and eligibility of the staff to all entitlements paid to FAO.**

The IOTC is unique in that it is an organisation constituted under article XIV of the FAO Constitution. This means that the organisation is able to adopt binding Resolutions and function on the basis of an autonomous budget while, at the same time, it retains administrative links to the FAO and FAO has some responsibilities associated with the operation of the Commission. For example, the Executive Secretary and all of the IOTC staff are FAO employees. The financial regulations, staff rules, and procurement procedures of FAO apply to IOTC.

There are difficulties arising from the operations being divided between the IOTC Headquarters in Seychelles and in Rome, although the relationship with FAO is based on preserving the functional autonomy of the IOTC Secretariat.

The preparation of the budget and the financial reports are done by the IOTC Secretariat on the basis of the financial reports supplied through FAO's Integrated Management Information System (iMIS). The IOTC Secretariat's expenditures have been within the anticipated budget over the past seven years.

Contributions by Members are deposited in FAO accounts, and FAO Finance maintains the accounting of the Commission. Project support costs are charged by FAO at the rate of 4.5%, assessed over the expenditures. The FAO in 2014 added another layer of cost to the IOTC budget through the Improved Cost Recovery Uplift (ICRU) for the support of field security and information technology. The field personnel will be subject to two Field ICRU charges – 1.4% for Information Technology support services and 4.8% (Africa) for Field security. In the discussions with the FAO following the 18<sup>th</sup> Session of the Commission, the FAO agreed to reduce the rates of Field Security to 1.5%, however for Information Technology support services fee remained at 1.4%.

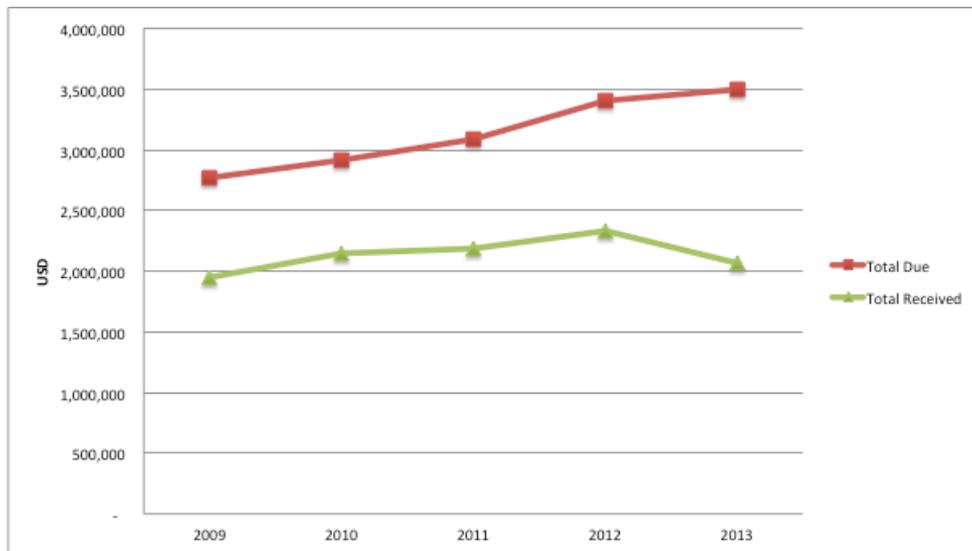
The level of payment of the contributions is a priority issue with seven countries (Eritrea, Guinea, Iran, Pakistan, Sudan, Vanuatu and Yemen) being in arrears for more than two years. [Table 1](#) provides the status of contributions to IOTC as of 31 December 2014.

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 few years ([Fig. 1](#)) and, should this trend continue, IOTC operations and delivery on the Commission's recommendations may be adversely affected. [Table 1](#) reflects the gap between contributions due and received within the last five years. This represents an average yearly increase of 16%. If you look at the average gap of contributions in the last three years, the average yearly increase is 23%. The total outstanding contributions in 2009 were approximately US\$822,000 and in 2013, it is approximately US\$1.4 million. Although 2014 contribution payments are still in progress, the gap currently stands at US\$1.4 million. This represents a 73% increase. If this trend were to continue, the projected unpaid contributions in 2018 would be approximately US\$2.5 million. This is significant in terms of deficits the Commission absorbs each year and was possible when the Commission had accumulated funds (or savings), which are now exhausted.

The IOTC Secretariat at present is more or less fully staffed. Growth has lagged behind the responsibilities that have been added each year by the Commission. Capacity building activities (compliance and science) have increased over the past couple of years and this has put a strain on the staff. The IOTC Secretariat has also received more specific request from developing CPCs that may not always be possible within the current budget.

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

Member	Outstanding at 31/12/2013	Contribution 2014	Received to 31/12/2014	In arrears as of 31/12/2014
AUSTRALIA	0	147,674	147,674	-
BELIZE	0	37,734	0	37,734
CHINA	0	84,233	84,233	-
COMOROS	25,305	24,805	25,264	24,846
ERITREA	149,033	22,512	0	171,545
EUROPEAN COMMISSION	0	667,047	667,047	-
FRANCE	0	121,266	0	121,266
GUINEA	110,682	22,268	0	132,950
INDIA	1,784	125,362	127,146	-
INDONESIA	0	237,307	0	237,307
IRAN	540,567	138,349	44,599	634,317
JAPAN	0	185,793	0	185,793
KENYA	33,457	22,410	40,349	15,518
KOREA, Republic of	0	139,302	139,302	-
MADAGASCAR	7,856	26,550	3,609	30,797
MALAYSIA	0	63,805	64,805	(1,000)
MALDIVES	0	101,409	101,409	-
MAURITIUS	0	50,295	50,295	-
MOZAMBIQUE	0	23,484	0	23,484
OMAN	0	144,032	0	144,032
PAKISTAN	185,024	77,692	0	262,716
PHILIPPINES	0	50,223	50,223	-
SEYCHELLES	0	89,756	89,756	-
SIERRA LEONE	40,214	9,739	21,795	28,158
SOMALIA	0	4,792	4,792	-
SRI LANKA	0	100,393	0	100,393
SUDAN	200,128	37,638	0	237,766
TANZANIA	0	24,308	24,308	-
THAILAND	0	60,899	50,920	9,979
UNITED KINGDOM	0	121,313	121,313	-
VANUATU	61,154	37,715	0	98,869
YEMEN	52,492	66,891	0	119,383
<b>Total</b>	<b>1,407,696</b>	<b>3,066,996</b>	<b>1,711,166</b>	<b>2,615,852</b>



**Fig. 1.** Status of Member contributions from 2009–13 (in US\$)

**2. Extent to which the IOTC is managing its budget as well as its capacity to monitor and audit annual and multiannual expenditures.**

An FAO internal audit was conducted in 2005, but the results provided by FAO were deemed insufficient by the Members. FAO internal audit has been approached by the IOTC Secretariat in order to conduct a second audit and they have informed that the work has been placed on a calendar for future action, possibly in 2015.

The IOTC Secretariat recruited an Administrative and Finance person in 2013 that assists the Secretariat with monitoring the annual and multiannual expenditures.

**3. The extent of IOTC's viability within and outside of the FAO structure in term of the cost and the benefits of breaking from the UN administrative structure and mandate.**

A study is to be commissioned to address this matter.