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## PROPOSAL FOR AMENDMENTS TO THE FINANCIAL REGULATIONS (1999) OF THE COMMISSION

PREPARED BY: IOTC SECRETARIAT, 12 APRIL 2016

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### PURPOSE

To propose amendments to the IOTC Financial Regulations (1999) which are required due to a number of key changes in the functioning of the Commission and the formula used in calculating annual contributions from Contracting Parties of the IOTC.

### BACKGROUND

The IOTC Financial Regulations, which were adopted in 1999 by the Commission, have become outdated and in several places no longer reflect the functioning of the Commission. Most importantly, the contributions formula described is no longer accurate given changes in the way the World Bank calculates Gross National Income, as well as decisions of the Commission regarding the definition of 'fishing operations' in the IOTC area of competence.

Thus, in the attached document, we propose necessary amendments to the IOTC Financial Regulations to bring them in line with modern practices. These amendments are proposed under the following mandate:

Recalling Regulation VII of the IOTC Financial Regulations (1999) which states:

**Regulation VII.** *These Regulations may be amended by the Commission in accordance with Article VI paragraph 7 [of the IOTC Agreement].*

Also recalling **Article VI**, paragraph 7 of the IOTC Agreement (1993) which states:

*7. The Commission may adopt and amend, as required, the Financial Regulations of the Commission by a two-thirds majority of its Members, which Financial Regulations shall be consistent with the principles embodied in the Financial Regulations of FAO. The Financial Regulations and amendments thereto shall be reported to the Finance Committee of FAO which shall have the power to disallow them if it finds that they are inconsistent with the principles embodied in the Financial Regulations of FAO.*

### DISCUSSION

As there is no specified minimum timeframe for amendments to be proposed, the SCAF, at its 13<sup>th</sup> Session may wish to propose further amendments for the Commission's consideration during its 20<sup>th</sup> Session to be held from 23–27 May 2016. If any further amendments are proposed, **Appendix I** of this paper shall be revised as a Rev\_1 for the consideration of S20.

### RECOMMENDATION/S

That the Commission:

- a) **NOTE** paper IOTC-2016-S20-10 regarding proposed amendments to the IOTC Financial Regulations which are required due to a number of key changes in the functioning of the Commission and the formula used in calculating annual contributions from Contracting Parties of the IOTC;
- b) **ADOPT** the revised '*INDIAN OCEAN TUNA COMMISSION: FINANCIAL REGULATIONS*', and for the IOTC Secretariat to report the revised regulations to the FAO Finance Committee.



## INDIAN OCEAN TUNA COMMISSION: FINANCIAL REGULATIONS (2016)

### REGULATION I: APPLICABILITY

1. These regulations shall govern the financial administration of the INDIAN OCEAN TUNA COMMISSION.
2. The financial rules and procedures of FAO shall apply to the activities of the Commission for matters not covered by these Regulations.

### REGULATION II - THE FINANCIAL PERIOD

1. The financial period shall be one calendar year, from 1 January to 31 December, inclusive.

### REGULATION III - THE BUDGET

1. The Budget Estimates shall be prepared by the Executive Secretary of the Commission and shall be circulated to all Contracting Parties (Members) of the Commission not less than 60 days before the commencement of each regular session.
2. The Budget Estimates shall cover income and expenditures for the financial period to which they relate, and shall be presented in United States dollars (US\$).
3. The Budget Estimates shall reflect the programme of work for the financial period elaborated by appropriate information and data, and shall include the programme of work and such other information, annexes or explanatory statements as may be requested by the Commission.
4. The Budget shall comprise:
  - a) The Administrative Budget referred to in paragraph 5 relating to the regular contributions of Contracting Parties (Members) of the Commission payable under Article XIII.1 of the Agreement for the Establishment of the Indian Ocean Tuna Commission and expenditures chargeable to the budget of the Commission under Article VIII, paragraphs 3 and 4: The Administrative Budget shall reflect in an appropriate manner the expenses to be borne by FAO under Article VIII, paragraph 3;
  - b) The Special Budgets relating to funds made available during the financial period from donations and other forms of assistance received from organizations, individuals and other sources under Article XIII, paragraph 6.
5. The Administrative Budget for the financial period shall consist of provisions for:
  - a) Administrative Expenditures, including an amount to cover the Organization's Project Servicing Costs equal to 4.5% of the total Budget of the Commission.
  - b) Expenditure for the activities of the Commission. Estimates under this chapter may be presented in a single total only but detailed estimates for each particular project will be prepared and approved as "supplementary details" of the Administrative Budget.

- c) Contingencies will cover expenditures that exceed operating costs and hospitality.
6. The Administrative Budget shall be adopted by the Commission with such amendments as the Commission may deem necessary.
7. Special Budgets may be adopted by the Commission in exceptional circumstances as appropriate.
8. The Administrative Budget of the Commission shall be submitted to the Finance Committee of the Organization for its information.

#### **REGULATION IV - APPROPRIATIONS**

1. After the budgets have been adopted the appropriations therein shall constitute be the authority for the Commission to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.
2. In cases of emergency, the Commission is authorized to accept additional contributions from a Contracting Party (Member) or Contracting Parties (Members) of the Commission or grants from other sources and incur expenditure against them for emergency action for which the said contributions or grants were specifically provided. Such contributions or grants and expenditure relating thereto will be reported in detail to the next session of the Commission.
3. Any unliquidated prior year obligation shall be cancelled or where an obligation remains a valid charge, transferred against current appropriations.
4. Transfers between provisions as per Regulation 3.5 may be effected by the Commission on the recommendation of the Executive Secretary of the Commission.

#### **REGULATION V - PROVISION OF FUNDS**

1. The appropriations of the Administrative Budget shall be financed by contributions from Contracting Parties (Members) of the Commission determined and payable in accordance with Article XIII paragraphs 1, 3 and 4 of the Agreement. Pending receipt of annual contributions, the Commission is authorized to finance budgeted expenditure from the uncommitted balance of the Administrative Budget.
2. Before the beginning of each calendar year the Executive Secretary shall inform the Commission's Contracting Parties (Members) of their obligations in respect of annual contributions to the budget.
3. Contributions shall be due and payable in full within 30 days of the receipt of the communication of the Executive Secretary referred to in Regulation V.2 above, or as of the first days of the calendar year to which they relate, whichever is later. As of 1 January of the following calendar year, the unpaid balance of such contributions shall be considered to be one year in arrears, irrespective of whether the full or a partial amount remains unpaid (minor amounts exempted, such differences due to exchange rates).
4. The annual contributions to the Administrative Budget shall be assessed in United States dollars and shall be calculated in accordance with the scheme annexed to these Regulations and forming an integral part thereof. The contributions shall be paid in US dollars unless otherwise determined by the Commission.

5. Any new Contracting Party (-Member) of the Commission shall pay a contribution to the budget in accordance with the provisions of Article XIII, paragraph 3 of the Agreement for the financial period in which the membership becomes effective, such contribution beginning with the quarter in which membership is acquired.

#### **REGULATION VI – FUNDS**

1. All contributions, donations and other forms of assistance received shall be placed in a Trust Fund administered by the Director-General in conformity with the Financial Regulations of FAO.
2. With respect to the Trust Fund referred to in Regulation VI.1, the Organization shall maintain accounts:
  - 2.1 A General Account to which shall be credited receipts of all contributions paid under Article XIII, paragraph 1 and from which shall be met all expenditure chargeable against the sums allocated to the annual Administrative Budget.
  - 2.2 Such additional accounts as may be necessary to which shall be credited the additional contributions under Regulation IV.2 and from which shall be met all expenditures relating thereto.

#### **REGULATION VII – AMENDMENT**

These Regulations may be amended by the Commission in accordance with Article VI, paragraph 7 of the IOTC Agreement.

## ANNEX

### Scheme for Calculation of Contributions to the Administrative Budget of the Commission

1. Ten percent (10%) of the total budget of the Commission shall be divided equally among all the Contracting Parties (Members).
2. Ten percent (10%) of the total budget shall be divided equally among the Contracting Parties (Members) having fishing operations in the IOTC area of competence targeting species covered by the Commission, for the period specified in paragraph 4 below. Contracting Parties (Members) catching less than 400t will be considered as not having fishing operations in the IOTC area for the purposes of this budget section.
3. Forty percent (40%) of the total budget shall be allocated among the Contracting Parties (Members) on the basis of per caput GNI<sub>P</sub> (per capita, Atlas method (current US\$) as registered in March of the current year) for the calendar year three years before the year to which the contributions relate, weighted according to the economic status of the Contracting Parties (Members) in accordance with the World Bank classification (as published in the year prior) as follows and subject to change in the classification thresholds (where the GNI for a particular Contracting Parties (Member) is not made available by the World Bank, the previous year's value shall be used):
  - a) **High** income Contracting Parties (Members) shall be weighted by the factor of 8;
  - b) **Middle** income Contracting Parties (Members) by the factor of 2;
  - c) **Low** income Contracting Parties (Members) by the factor of 0.
4. Forty percent (40%) of the total budget shall be allocated among the Contracting Parties (Members) in proportion to their average catch (rounded to the nearest whole ton) in the three calendar years beginning with the year five years before the year to which the contributions relate, weighted by a coefficient reflecting their development status. The coefficient of OECD Members and European Union shall be 1, and the coefficient of other Contracting Parties (Members) shall be one-fifth (0.2).