

FINALISING THE IOTC FINANCIAL REGULATIONS (2019)

PREPARED BY: IOTC SECRETARIAT

PURPOSE

Notwithstanding the 2019 adoption of the IOTC Financial Regulations by the Commission and their subsequent endorsement by the FAO Financial Committee, two clauses related to the payment of contributions (Annex, Reg 5) need to be confirmed by the Commission.

The SCAF is being asked to advise the Commission on:

- (1) the latest date contributions should be paid in each budget year
- (2) the date, in a budget year, when un-paid contributions will be in ‘Arrears’.

BACKGROUND

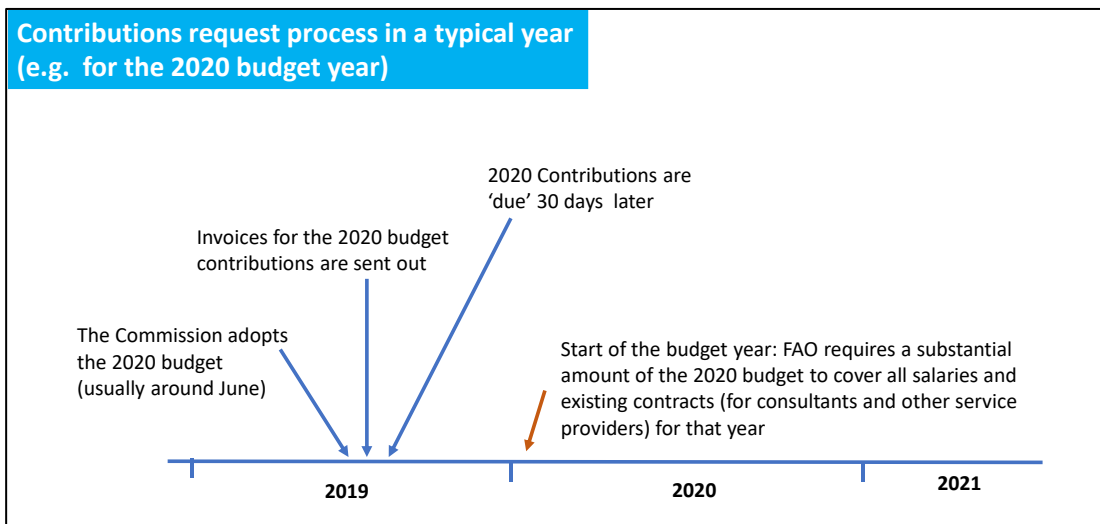
Revision of the IOTC Financial Regulations

1. The Indian Ocean Tuna Commission (IOTC) is an Article XIV body formed under the FAO Constitution. Article VI.7 of the IOTC Agreement states that “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.”
2. In June 2019, 24 of the 31 Commission Members (more than two-thirds) attended the 23rd Session of the IOTC and adopted the below amended Financial Regulations and requested the IOTC Chairperson to forward these to the Finance Committee of FAO for approval. The Finance Committee endorsed the amended Financial Regulations at its 178th Session in November 2019.
3. Notwithstanding this endorsement, the IOTC Financial Regulations need to be finalised by way of two dates in Annex, Reg 5 being confirmed by the Commission.
4. Annex, Reg 5 currently states:

Contributions shall be due and payable in full as soon as possible and not later than [date] of the calendar year to which they relate. As of [date] in the calendar year to which the contributions relate, the unpaid balance of such contributions shall be considered to be one year in arrears.

5. The SCAF is requested to advise to the Commission on (1) the latest date contributions should be paid; and (2) the date when contributions will be in ‘Arrears’.

CONSIDERATIONS RELATED TO THE PAYMENT OF CONTRIBUTIONS



6. Figure 1 shows the process for requesting contributions made each year.

The implications of delays in receiving contributions

- 7. The budget of IOTC is entirely autonomous, and paid for exclusively by its Members, with no financial contributions derived from FAO. The 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. Therefore, when contributions are not paid before or at the start of the budget year, IOTC can face the risk of having to shut down its operations.
- 8. For example, FAO required a substantial amount of the 2020 budget at the start of 2020 to cover all salaries and existing contracts (for consultants and other service providers) for that year.
- 9. If Members are slow to pay their contributions, the only way to meet IOTC’s start of the year financial obligations (e.g. salaries and existing contracts) is to use the Working Capital Fund to provide financial cover until contributions are received. This requires the Working Capital fund to maintain a reserve of over \$2.5 million for this purpose and to guarantee staff costs.

Members are asked to recommend two dates to finalise the IOTC Financial Regulations Annex Regulation 5.

- 10. The SCAF is requested to advise on (1) the latest date contributions should be paid (date 1); and (2) the date when contributions will be in ‘Arrears (date 2)’.

The SCAF’s task is to determine:

- (1) the latest date contributions should be paid
- (2) the date when contributions will be in ‘Arrears’.

IOTC Financial Regulations (2019) Annex Reg 5:
Contributions shall be due and payable in full as soon as possible and not later than [date1] of the calendar year to which they relate. As of [date2] in the calendar year to which the contributions relate, the unpaid balance of such contributions shall be considered to be one year in arrears.

<p>Choose date 1 (date and month)</p> <p>Contributions shall be due and payable in full as soon as possible and not later than this date</p>	<p>Choose date 2 (date and month)</p> <p>As of this date, the unpaid balance of such contributions shall be considered to be one year in arrears</p>
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11. In 2019, SCAF16 forwarded 1 March & 2 March or 1 June & 2 June to the Commission as possibilities for the date 1 & date 2 combination; however, no decision was taken on this matter by the Commission.

SUGGESTED ACTIONS BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **RECOMMEND** to the Commission the dates to be included in Annex Reg.5 of the IOTC Financial Regulations, namely:
 - (1) the latest date contributions should be paid in each budget year
 - (2) the date, in a budget year, when un-paid contributions will be in 'Arrears'.