

PURPOSE OF THIS DOCUMENT

To inform the Standing Committee on Administration and Finance (SCAF) of the financial aspects of the Commission for the 2020 financial year (1 January to 31 December 2020).

STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2020

1. The total of contributions due in 2020 for the 2020 budget was \$4,367,285. As of 31 December 2020, a total of \$3,730,858 had been received (Table 1). This represents a significant difference between contributions due and contributions received of \$-636,427.
2. The cumulative total of outstanding contribution payments has increased by around 20%, from \$3,162,341 as of 31 December 2019, to \$3,798,769 as of 31 December 2020. Details on the status of contributions are available in IOTC-2021-SCAF18-05.

It is important to pay contributions on time

3. The situation of outstanding contributions is not sustainable in the long term. It is essential to receive contributions as soon as possible after invoices are sent out because the FAO requires funds to be available from the IOTC budget at the start of each calendar year to cover all salaries and existing contracts (for consultants and other service providers) for that year. FAO will not contribute to the IOTC accounts to keep it afloat. Substantial funds must be available otherwise FAO will not renew staff contracts, enter any new contracts or commit to any procurement actions.
4. Under-expenditures (for example \$901,965 in 2019 and \$1,343,647 in 2020) coupled with the deficit contingency budget included in the 2019 budget (\$150,000) have helped to ease the cash flow situation and the introduction of the Working Capital Fund will provide a transparent buffer against the risk of contributions not arriving on time. However, these sources cannot be relied on and it is essential that contributions are paid as soon as possible after the mid-year call for funds.

EXPENDITURES FOR THE YEAR 2020

The 2020 budget was underspent by \$1,343,647.

5. The total budget for 2020 was \$4,367,285 and the Commission spent (actuals) \$3,023,638. The level of under expenditure from the budget amounted to a total of \$1,343,647 (Table 1). This under-expenditure was mainly due to a reduction in activities caused by COVID-19 restrictions. There was an overall under-spending of 54% in operating expenses and a 16% underspending in staff costs (due to three Fishery Officer posts remaining vacant for part of the year while recruitment was underway). General Service posts reported a saving of 16% due to a favourable exchange rate (GS salaries are paid in local currency).
6. In 2020 there was a positive balance in contributions against actual expenditures of \$707,220.

Table 1. Comparison between actual and budgeted expenditures in 2020 (in US\$).

	Budget Item Description	Budget	Actual	Variance	Percent Diff.
1	Administrative Expenditures - Staff Costs				
1.1	Professional Salaries	1,332,407	1,138,287	-194,120	-15%
1.2	General Service Salaries	80,620	67,360	-13,260	-16%
	Sub-total Salaries	1,413,027	1,205,647	-207,380	-15%
1.3	Employer contributions to Pension Fund and Health Insurance	386,021	352,131	-33,890	-9%
1.4	Employer contribution to FAO Entitlement Fund	644,315	604,170	-40,145	-6%
1.5	ICRU	70,857	59,653	-11,204	-16%
1.6	Adjustment staff cost variance	0	-104,595	-104,595	100%
1.7	Total Administrative Expenditures	2,514,220	2,117,006	-397,214	-16%
2	Operating Expenditures				
2.1	Capacity Building	40,000	2,072	-37,928	-95%
2.2	Co-funding Science/Data Grants	188,400	-115,842	-304,242	-161%
2.3	Co-funding Compliance Grants	0	2,478	2,478	-
2.4	Misc. Contingencies	0	0	0	0%
2.5	Consultants / Service Providers	568,600	446,192	-122,408	-22%
2.6	Duty travel	160,000	11,016	-148,984	-93%
2.7	Meetings	135,000	6,939	-128,061	-95%
2.8	Interpretation	140,000	26,763	-113,237	-81%
2.9	Translation	110,000	69,238	-40,762	-37%
2.10	Equipment	25,000	23,416	-1,584	-6%
2.11	General Operating Expenses	68,000	55,510	-12,490	-18%
2.12	Printing	0	0	0	0%
2.13	Contingencies	10,000	0	-10,000	-100%
2.14	MPF*	250,000	250,000	0	0%
	Total Operating Expenditures	1,695,000	777,782	-917,218	-54%
	SUB-TOTAL	4,209,220	2,894,787	-1,314,433	-31%
3	Additional Contributions Seychelles	-20,100	0	20,100	-100%
4	Deficit Contingency	0	0	0	0%
	TOTAL	4,189,120	2,894,787	-1,294,333	-31%
5	FAO Servicing Costs	178,165	128,850	-49,315	-28%
6	GRAND TOTAL	4,367,285	3,023,638	-1,343,647	-31%
* Actual MPF expenditures were only US\$ 21,324 but US\$ 250,000 was transferred into the fund for use in 2021.					

Explanatory notes on expenditures for 2020

Salaries – Professional grade staff (1.1)

- Professional Salaries were less than the budgeted figure, with a saving of approximately \$194,120 (15%) primarily due to the vacant posts of the P3 Fishery Officer post (filled May 2020), the P3 Statistician post (filled June 2020) and the P4 Compliance Coordinator (filled December 2020). Table 2 provides additional details on salary-related costs for professional staff.

General Service staff (1.2)

- There was an overall saving of 16% in General Service salaries due to a favourable USD-SCR exchange rate (GS salaries are paid in local currency). Table 2 provides additional details on salary-related costs for general service staff.

Employer Contributions (1.3 & 1.4)

- Employer contributions to the Pension Fund and health insurance costs were 9% below budgeted figures as a direct consequence of the professional vacancies mentioned above. The contributions to the FAO entitlement fund were 6% below budgeted figures. These entitlement contributions are assessed by FAO for every project (including IOTC) by prorating actual costs of covering these entitlements across FAO. Therefore, an overall reduction in staff costs normally results in a similar reduction in employer contributions. A rebate of \$-104,595 was received from FAO for Staff Cost Variance resulting in the total of Employer Contributions being approximately 17% lower than budgeted (see IOTC-2021-SCAF18-09 for more information on employer contributions). Table 2 provides additional details on salary costs related to employer contributions.

ICRU - Improved Cost Recovery Uplift (1.5)

- In 2014 FAO brought in 'Improved Cost Recovery Uplift' (ICRU) charges to cover field project personnel costs (for staff and consultants). These charges are to recover the costs of central services provided for security and information technology. While the Commission has previously expressed its disagreement with the inclusion of ICRU in the IOTC budget (e.g. SCAF14), ICRU has continued to be applied by FAO hence there is an expenditure of \$59,653 in 2020 against a budget of 70,857 (16% saving). Table 2 provides additional details on the allocation of the ICRU to staff.

Support to Capacity Building (2.1)

- The budget line on Capacity Building shows expenditures significantly below (95%) the budgeted figure. This was a consequence of the IOTC Secretariat harnessing extra-budgetary resources and partnerships to cover most of the anticipated expenses and an overall reduction in activities.

Co-funding Science/Data Grants (2.2)

- This budget line was included to cover expenditures related to the IOTC co-funding to EU grants for science and data activities. Typically, the contribution from IOTC is around 20% of a project total. In 2020, there was a credit of \$115,842 shown under this line. This credit is the result of some previously committed funds being returned to the IOTC account. These funds were mainly committed to the EU stock structure project as part of the IOTC contribution and the project was completed successfully with some savings. Therefore, the additional 15% transfer of funds from the Consultants/Service Provider budget line was not required. The expenditures for each project can be seen in Table 3.

Co-funding Compliance Grants (2.3)

- This budget line was included to cover expenditures related to the IOTC contribution to EU grants for compliance activities but was set to zero for 2020, with no projects in the pipeline. However, the unforeseen extension of an EU funded project supporting IOTC compliance activities from 2018/19 resulted in a contribution of \$2,478 being required from IOTC. Typically, the contribution from IOTC is around 20% of a project total.

Misc. Contingences (2.4)

- This budget line was included to cover any unforeseen expenses specifically related to account lines 2.2 and 2.3 (expenditures related to the IOTC contribution to EU grants) and it was set to zero in 2019 and 2020.

Consultants/Service Providers (2.5)

15. The total expenditure for consultants is made up of a range of expenditures relating to the support provided by external scientific experts, including other planned consultancy fees. The IOTC registered an under-expenditure of US\$122,408 (22%) for consultants in 2020, primarily because some of the consultancies could not be carried out because of travel restrictions.

Duty travel (2.6)

16. Duty travel mostly includes travel of the Secretariat staff to participate in meetings of the Commission but may include some travel to relevant events hosted by other organisations. A quarterly travel plan is compulsory and is submitted to FAO for approval. The travel plan for 2020 was seriously affected by the COVID-19 travel restrictions and the budget was 93% underspent. Details of the travel undertaken in 2020 under the support of the Commission are provided in Appendix 1. Some costs were also due to travel cancellation costs.

Meetings (2.7)

17. The cost for meetings in 2020 was underspent by 95% due to the cancellation of in-person meetings due to the pandemic. The expenditures under this category include the rental of interpretation hub facilities to service the virtual meetings.

Interpretation (2.8)

18. The costs for interpretation included interpreter fees (\$26,611) and a travel cancellation fee (\$152). The costs for the interpretation services were significantly reduced for the Commission, Compliance Committee, SCAF, Scientific Committee and TCAC meetings. There was a saving of \$128,061 (81%) due to the much shorter duration of virtual meetings, efforts to optimise the numbers of interpreters required and savings in travel by using interpreters all located in Bangkok. FAO also credited a small rebate due to overall savings throughout the Organization.

Translation (2.9)

19. The translation budget line was underspent by \$40,762 (37%). This was due to fewer documents being required due to many meetings being conducted with reduced agendas.

Equipment (2.10)

20. The equipment budget was underspent by \$1,584 (6%). This covered the procurement of some important new equipment to improve the quality online meetings and to update IT equipment such as new laptops, PCs and a new server.

General operating expenses (2.11)

21. General Operating expenses include a series of expenditures related to the normal functioning of the Secretariat office. Table 3 shows a detail of the costs for 2020. The difference between budgeted (\$68,000) and actual operating costs (\$55,510) represents an 18% saving.

Printing (2.12)

22. The printing budget line was set to zero for 2020.

Contingencies (2.13)

23. As required by provisions in the Financial Regulations, a contingency budget line provides for miscellaneous expenditures that are encountered by the Secretariat and do not fit into the pre-defined account structure of the operating expenditures. These funds were not used in 2020.

Meeting Participation Fund (MPF) (2.14)

24. The approved MPF budget for 2020 was \$250,000 but due to the pandemic, a total of \$21,324 was spent. Because \$250,000 was transferred to the MPF and the balance remained in that budget, the allocation to the MPF budget for 2021 was only \$25,000. Details on the status of the MPF are provided in IOTC-2021-SCAF-06.

Additional Contributions by Seychelles (3)

25. This additional contribution has been negotiated under the Headquarters Agreement between FAO and the Government of Seychelles. The current contributions from the Government of Seychelles are intended to defray

some of the costs of operating the Secretariat, including costs of the Secretariat's Information Technology consultant. No additional contributions have been received since 2017.

Deficit Contingency (4)

26. The deficit contingency was set to zero in 2020.

FAO Project Service Cost (5)

27. The FAO Project Servicing cost in 2020 was \$128,850, representing a saving of 28% compared to the budgeted amount.

Table 2. Detail of Staff-Related Costs During 2020 (in US\$)

	General Service Staff	Professional Staff
Base Salary Actual	67,004	740,199
Overtime / Secondment	356	-
Basic Medical Insurance Plan	31,330	53,993
Contribution to FAO entitlement fund	44,879	559,291
Pension plan	13,070	253,739
Post Adjustment	-	398,088
ICRU	4,397	55,255
Adjustment Staff Cost Variance	(4,647)	(99,948)
Total	156,389	1,960,616
Grand Total		2,117,005

Table 3. Detail of General Operating Expenditures in 2020 (in US\$)

Category	Actual Costs
Telephone	5648
Internet	30,392
Postage	14
Office Supplies	7,887
Water	475
Newspapers and adverts	751
Cleaning	3,513
Vehicles operating and maintenance	2,655
Website hosting and development	6,265
VAT Refund and FAO rebate (2019)	(2,090)
TOTAL	55,510

FINANCIAL STATUS

The 2020 budget was underspent

28. A total of \$3,023,638 was spent in 2020 against a budget of \$4,367,285 (31% lower than budgeted).

The total of outstanding contributions has increased

29. The cumulative total of outstanding contribution payments has increased by around 20%, from \$3,162,341 as of 31 December 2019, to \$3,798,769 as of 31 December 2020. The IOTC Secretariat continues to pursue payment of these outstanding arrears and has been taking action in the form of generic reminder circulars and letters addressed directly to CPCs. A significant and immediate risk remains that FAO will stop expenditures against the IOTC project until contributions match commitments.

IOTC received extra-budgetary funds in 2020

30. In 2020, the IOTC benefitted from work undertaken using extra-budgetary funds provided by some Members (Appendix 1). In 2020, the Secretariat managed six multi-year projects funded by the European Union (DG Maritime Affairs and Fisheries) that were in various stages of completion. These projects totalled \$4,028,790 and supported technical assistance to developing countries to improve implementation of at sea observer scheme, data collection and the work of the both the Scientific Committee and Compliance Committee.
31. The Regional Observer Programme (ROP) also received \$289,474 of ROP contributions in 2020 from the fleets participating in the programme. Expenditures in 2020 amounted to \$599,062 which was possible because of surplus funds from the previous year.
32. In 2020 the IOTC Meeting Participation Fund (MPF) was augmented by \$18,000 of extra-budgetary contributions received from China and \$13,414 from Australia. This increased the total 2020 MPF budget to \$281,414. Details on the MPF are provided in IOTC-2021-SCAF18-05.
33. In addition to the extra-budgetary MPF funding, Australia provided \$169,845 as the remaining amount of an AUD300,000 extra-budgetary contribution (totalling approximately US\$207,855) to carry out a Management Strategy Evaluation for bigeye, yellowfin and albacore tuna.
34. The Commission also benefitted from IOTC-relevant compliance activities being undertaken and paid for through the World Bank's SWIOFISH 2 Project being implemented by the Indian Ocean Commission, with technical input from the IOTC Secretariat.
35. A refund of \$12,470 was made to the EU for the tagging symposium project which concluded in 2013. This represented unspent funds that were not refunded after the project concluded. The project is now formally closed.

The IOTC Working Capital Fund has a positive balance

36. The [IOTC Financial Regulations \(2019\)](#) established a 'working capital fund' to provide a transparent and strategic mechanism for the Commission to manage the use of any accumulated funds into the future, noting that this fund is not to be used as a means of avoiding contributions. The Working Capital Fund comprises funds that have accumulated as a result of some underspending, savings (especially due to vacant posts) and because there was a sizeable contingency deficit allocation in the respective budgets of 2016, 2017 and 2019
37. According to the FAO financial system, as of 31 December 2020 the IOTC account has a balance of funds of \$2,727,765, which is an increase of \$346,923 from the balance at the end of 2019.
38. A level of accumulated funds in excess of \$1 million is considered to be essential to ensure a positive cash flow and continuity of IOTC's activities¹. This level of accumulated funds is especially important for IOTC during the first part of the year when approximately \$2 million is committed for staff salaries, and not all contributions have been received. However, it should be noted that the use of accumulated funds to cover for the current shortfalls in contribution payments is not sustainable, as these funds could be exhausted quickly at the recent levels of arrears.
39. If a \$1 million capital reserve is retained to cover costs in the first part of a budget year, around \$1.7 million is available for use. Note that the Commission is still to consider establishing rules of procedure for the operation of the working capital fund (IOTC financial Regulations (2019 Reg IV.5)).

SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **NOTE** paper IOTC-2021-SCAF18-04 which includes the Financial Statement and supporting documentation for the financial period 1 January to 31 December 2020.

¹The independent report on the costs and benefits of maintain the institutional link with FAO (IOTC-2016-S20-05) recommended that such a 'capital reserve fund' is necessary, in the region of \$ 1 million - similar to those of other tuna RFMOs.

Appendix 1. Extra Budgetary Funds 2020

Project No.	Area of Work	Donor	Description	Total Funding Amount US\$	Expenditures 2020 US\$	End date
MTF/INT/314/MUL	Compliance	Multiple donor-participants ROP	Regional Observer Programme	4,739,203	599,062	31/12/2021*
GCP/INT/233/EC	Stock Assessment	EC	Population structure of IOTC species in the Indian Ocean: Estimation with next generation sequencing technologies and Otolith micro-chemistry	1,529,487	-54,437	30/06/2020
GCP/INT/304/EC	Compliance	EC	Technical assistance to developing countries to improve compliance with IOTC CMMs	216,346	17,243	30/06/2020
GCP/INT/305/EC	Science	EC	Support to the Scientific Committee Programme of Work (2018)	721,153	-4,889	30/09/2020
GCP/INT/322/EC	Science	EC	Support to the implementation of the IOTC ROS (2018)	850,682	35,209	31/03/2021
GCP/GLO/983/EC	Science	EC	Support to the Scientific Committee Programme of Work (2019)	392,136	-55,298	30/06/2020
GCP/GLO/053/EC	Science	EC	Support to the Scientific Committee Programme of Work - Aspects of the Biology of IOTC Species (2020)	318,986	296,700	31/12/2021
Tagging Symposium (2012)***	Science	EC	Unspent funds from IOTC tuna tagging symposium held in 2012		12,470	Already Closed
MPF Extra-budgetary	Meetings	China	Extra funds for meeting participation	18,000	0	31/12/2021
MPF Extra-budgetary	Meetings	Australia	Extra funds for meeting participation	13,414	0	31/12/2021
Management Strategy Evaluation	MSE	Australia	Extra funds to carry out an MSE	207,855**	218,541	31/12/2021
Total				9,007,262	1,064,601	

* to be extended

** 1st tranche of \$38,010 received in 2019, 2nd and final tranche received 2020. Difference between funding and expenditures due to exchange rate fluctuations.

*** EU requested the refund of unspent funds from the Tagging Symposium which took place in 2012

Appendix 2. Staff travel in 2020

MEETING/EVENT	DATE AND LOCATION	DUTY TRAVEL (No. of Secretariat Participants)
Meet with govt officials, survey/select facilities and set up logistics for SCAF17, CoC17, TCMP & S24 Bali, Indonesia.	26-30 January	1
Meetings with FAO Legal, ABNJ Tuna Project Steering Committee, ECOFISH Steering Committee, CDS and VMS Working Groups, WPICMM	27-31 January Rome, Italy; 4-14 February Nairobi, Kenya	1
CDS and VMS Working Groups, WPICMM	9 February-16 February: Nairobi, Kenya	3
Support to Regional Observer Scheme training	23 February-29 February 2020: Mombasa, Kenya	1