

**PURPOSE OF THIS DOCUMENT**

To inform the Standing Committee on Administration and Finance (SCAF) of the financial aspects of the Commission for the 2021 financial year (1 January to 31 December 2021).

**STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2021**

1. The total of contributions due in 2021 for the 2021 budget was \$4,221,458. As of 31 December 2021, a total of \$4,035,392 had been received (Table 1). This represents one of the highest amounts of contributions received in one year by the IOTC; however, there was still a significant shortfall (\$186,066) in contributions due and contributions received.
2. The cumulative total of outstanding contribution payments has increased by around 5%, from \$3,798,769 as of 31 December 2020, to \$3,984,835 as of 31 December 2021. Details on the status of contributions are available in IOTC-2022-SCAF19-05.

***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 \$1,343,647 in 2020 and \$1,373,796 in 2021) together with the deficit contingency budget included in the 2019 budget (\$150,000) have eased the cash flow situation and the introduction of the Working Capital Fund now provides 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 2021*****The 2021 budget was underspent by \$1,373,796.***

5. The total budget for 2021 was \$4,221,458 and the Commission spent (actuals) \$2,847,662. The level of under expenditure from the budget amounted to a total of \$1,373,796 (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 around 64% in operating expenses and 12% in staff costs (due to one Fishery Officer post remaining vacant for most of the year while recruitment was underway). General Service posts registered a saving of 18\*% due to a favourable exchange rate (GS salaries are paid in local currency).
6. Expenditures were partly offset by the full payment of Seychelles' additional contribution, that included a considerable back payment. This amounted to \$122,831 (see para 26)
7. In 2021 there was a positive balance in contributions against actual expenditures of \$1,187,730.

**Table 1.** Comparison between actual and budgeted expenditures in 2021 (in US\$).

	Budget Item Description	Budget	Actual	Variance	Percent Diff.
<b>1</b>	<b>Administrative Expenditures - Staff Costs</b>				
1.1	Professional Salaries	1,377,078	1,267,758	-109,320	-8%
1.2	General Service Salaries	89,544	73,772	-15,772	-18%
	<b>Sub-total Salaries</b>	<b>1,466,622</b>	<b>1,341,530</b>	<b>-125,092</b>	<b>-9%</b>
1.3	Employer contributions to Pension Fund and Health Insurance	417,773	383,417	-34,356	-8%
1.4	Employer contribution to FAO Entitlement Fund	748,437	579,938	-168,499	-23%
1.5	ICRU	76,352	66,613	-9,739	-13%
1.6	Adjustment staff cost variance	0	-7,886	-7,886	100%
1.7	<b>Total Administrative Expenditures</b>	<b>2,709,184</b>	<b>2,363,611</b>	<b>-345,573</b>	<b>-13%</b>
<b>2</b>	<b>Operating Expenditures</b>				
2.1	Capacity Building	40,000	0	-40,000	-100%
2.2	Co-funding Science/Data Grants	26,700	-33,009	-59,709	-224%
2.3	Co-funding Compliance Grants	0	0	0	-
2.4	Misc. Contingencies	0	0	0	0%
2.5	Consultants / Service Providers	597,800	202,958	-394,842	-66%
2.6	Duty travel	165,000	0	-165,000	-100%
2.7	Meetings	145,000	18,503	-126,497	-87%
2.8	Interpretation	135,000	101,597	-33,403	-25%
2.9	Translation	110,000	86,608	-23,392	-21%
2.10	Equipment	25,000	16,166	-8,834	-35%
2.11	General Operating Expenses	71,300	68,076	-3,224	-5%
2.12	Printing	0	0	0	0%
2.13	Contingencies	10,000	0	-10,000	-100%
2.14	MPF*	25,000	25,000	0	0%
	<b>Total Operating Expenditures</b>	<b>1,350,800</b>	<b>485,899</b>	<b>-864,901</b>	<b>-64%</b>
	<b>SUB-TOTAL</b>	<b>4,059,984</b>	<b>2,849,510</b>	<b>-1,210,474</b>	<b>-30%</b>
<b>3</b>	<b>Additional Contributions Seychelles</b>	<b>-20,100</b>	<b>-122,831</b>	<b>-102,731</b>	<b>511%</b>
4	Deficit Contingency	0	0	0	0%
	<b>TOTAL</b>	<b>4,039,884</b>	<b>2,726,679</b>	<b>-1,313,205</b>	<b>-33%</b>
5	FAO Servicing Costs	181,574	120,983	-60,591	-33%
6	<b>GRAND TOTAL</b>	<b>4,221,458</b>	<b>2,847,662</b>	<b>-1,373,796</b>	<b>-33%</b>

\* Actual MPF expenditures were zero but US\$ 25,000 was transferred into the fund for use in 2022.

## **Explanatory notes on expenditures for 2021**

### ***Salaries – Professional grade staff (1.1)***

8. Professional Salaries were less than the budgeted figure, with a saving of approximately \$109,320 (8%) primarily due to the vacant P3 Fishery Officer (Compliance) post, which was filled in November 2021.

### ***General Service staff (1.2)***

9. There was an overall saving of 18% in General Service salaries. A salary increase in the second half of the year was offset by a favourable USD-SCR exchange rate in the first half of the year (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)***

10. Employer contributions to the Pension Fund and health insurance costs were 8% below budgeted figures as a direct consequence of the professional officer vacancy mentioned above. The contributions to the FAO entitlement fund were 23% 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 \$7,886 was received from FAO for Staff Cost Variance resulting in the total of Employer Contributions being approximately 24% lower than budgeted. Table 2 provides additional details on salary costs related to employer contributions.

### ***ICRU - Improved Cost Recovery Uplift (1.5)***

11. 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 \$66,613 in 2021 against a budget of \$76,352 (13% saving). Table 2 provides additional details on the allocation of the ICRU to staff.

### ***Support to Capacity Building (2.1)***

12. The budget line on Capacity Building shows no expenditures against 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 due to the Covid19 pandemic.

### ***Co-funding Science/Data Grants (2.2)***

13. This budget line was included to cover expenditures related to the IOTC co-funding to externally funded grants for science and data activities. Typically, the contribution from IOTC is around 20% of a project total. In 2021, there was a credit of \$33,009 shown under this line. This credit is the result of some previously committed funds (reported in previous years) being returned to the IOTC account. These funds were mainly committed to the EU funded project to *Support the Implementation of the IOTC Regional Observer Scheme* as part of the IOTC contribution, and the total project costs were subsequently reduced due to virtual methods being introduced to replace some travel. The expenditures for each project can be seen in Appendix 1.

### ***Co-funding Compliance Grants (2.3)***

14. This budget line is included to cover expenditures related to the IOTC contributions to externally funded projects. It was set to zero for 2021 as no projects were being undertaken.

### ***Misc. Contingences (2.4)***

15. 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 externally funded projects) and it has been set to zero since 2019.

### ***Consultants/Service Providers (2.5)***

16. 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 \$394,842 (-66%) for consultants in 2021, primarily because some of the consultancies could not be carried out

because of travel restrictions. Also, some unspent commitments accounted for in 2020, to cover a Letter of Agreement, were credited to this budget line because the foreseen travel could not be carried out due to the pandemic.

### ***Duty travel (2.6)***

17. 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 2021 was seriously affected by the COVID-19 travel restrictions and none of the budget was spent.

### ***Meetings (2.7)***

18. The budget for meetings in 2021 was underspent by 87% 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)***

19. The costs for interpretation included only the interpreter fees (\$101,597) since all travel by interpreters was cancelled. While there were more meetings in 2021 where interpretation was required due to additional TCAC meetings, a Special Session and HoD meetings, the costs for the interpretation services at each meeting were lower due to the shorter duration of virtual meetings, efforts to minimise the numbers of interpreters required and savings in travel and by using interpreters all located in Bangkok. Overall, there was a saving of \$33,403 (25%) in interpretation costs in 2021.

### ***Translation (2.9)***

20. The translation budget line was underspent by \$23,392 (21%). This was due to fewer documents being required as a result of most meetings being conducted with reduced agendas.

### ***Equipment (2.10)***

21. The equipment budget was underspent by \$8,834 (-35%). This covered the procurement of some important new equipment to improve the quality of online meetings and to update IT equipment such as new laptops, PCs and a new server. Some procurement was delayed around the end of 2021 due to transportation restrictions and the fire in the building that housed the IOTC office.

### ***General operating expenses (2.11)***

22. 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 2021. The difference between budgeted (\$71,300) and actual operating costs (\$68,076) represents a 5% saving.

### ***Printing (2.12)***

23. The printing budget line was set to zero for 2021.

### ***Contingencies (2.13)***

24. 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 2021.

### ***Meeting Participation Fund (MPF) (2.14)***

25. The approved MPF budget for 2021 was \$25,000 as unspent funds from 2020 were already available in the fund, but because of the pandemic, no expenditures were recorded in 2021. Details on the status of the MPF are provided in IOTC-2022-SCAF-06.

### ***Additional Contributions by Seychelles (3)***

26. The Seychelles additional contribution has been negotiated under the IOTC 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. In 2021, Seychelles paid the balance of its dues. IOTC received a total of \$122,830.50.

**Deficit Contingency (4)**

27. The deficit contingency was set to zero in 2021.

**FAO Project Service Cost (5)**

28. The FAO Project Servicing cost in 2021 was \$120,983, representing a saving of 33% compared to the budgeted amount.

**Table 2.** Detail of Staff-Related Costs During 2021 (in US\$)

	General Service Staff	Professional Staff
Base Salary Actual	73,772	823,648
Overtime / Secondment	-	-
Basic Medical Insurance Plan	29,656	56,435
Contribution to FAO entitlement fund	44,701	535,237
Pension plan	14,321	283,004
Post Adjustment	-	444,110
ICRU	4,590	62,022
Adjustment Staff Cost Variance	(4,164)	(3,722)
Total	<b>162,877</b>	<b>2,200,735</b>
<b>Grand Total</b>		<b>2,363,611</b>

**Table 3.** Detail of General Operating Expenditures in 2021 (in US\$)

Category	Actual Costs
Telephone	5331
Internet	36194
Postage	4300
Office Supplies	6491
Water	566
Newspapers and adverts	646
Cleaning	3918
Vehicles operating and maintenance	3384
Website hosting and development	7245
<b>TOTAL GOE</b>	<b>68,076</b>

**FINANCIAL STATUS*****The 2021 budget was significantly underspent***

29. A total of \$2,847,662 was spent in 2021 against a budget of \$4,221,458 (33% lower than budgeted).

***The total of outstanding contributions has increased***

30. The cumulative total of outstanding contribution payments has increased by around 5%, from \$3,798,769 as of 31 December 2020, to \$3,984,835 as of 31 December 2021. 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 2021***

31. In 2021, the IOTC benefitted from work undertaken using extra-budgetary funds provided by some Members (Appendix 1). In 2021, the Secretariat managed three multi-year projects funded by the European Union (DG Maritime Affairs and Fisheries) that were in various stages of completion. In 2021 the balances of these projects

- totalled \$1,890,821 for 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.
32. The Regional Observer Programme (ROP) continued in 2021 using unspent funds from the previous year (available as a result of travel restrictions in 2020 due to the pandemic). Expenditures in 2021 amounted to \$229,955.
  33. In 2021 the IOTC Meeting Participation Fund (MPF) was augmented by \$18,000 of extra-budgetary contributions received from China and \$25,000 transferred from the main budget. Details on the MPF are provided in IOTC-2022-SCAF19-05.
  34. Australia provided \$34,878 of extra-budgetary funds for management procedure and MSE Capacity Building.
  35. The Commission 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. The Commission also benefitted from IOTC-relevant data and information activities being undertaken and paid for by the Overseas Fishery Cooperation Foundation of Japan (OFCF).

***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 because of some underspending and 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 2021 the IOTC account has a balance of funds of \$4,347,694, which is an increase of \$1,619,929 from the balance at the end of 2020.
38. A level of accumulated funds more than \$1 million is considered to be essential to ensure a positive cash flow and continuity of IOTC's activities<sup>1</sup>. 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 \$3.3 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-2022-SCAF19-04 which includes the Financial Statement and supporting documentation for the financial period 1 January to 31 December 2021.

<sup>1</sup>The 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 2021

Project No.	Area of Work	Donor	Description	Total Funding Amount US\$	Expenditures 2021 US\$	Outstanding Amount	End date
MTF/INT/314/MUL	Compliance	Multiple donor-participants ROP	Regional Observer Programme**	4,745,730	229,955	405,209	31/12/2022*
GCP/INT/305/EC	Science	EC	Support to the Scientific Committee Programme of Work (2018)**	721,153	-	Closed	31/12/2021
GCP/INT/322/EC	Science	EC	Support to the implementation of the IOTC ROS (2018)**	850,682	-	541,242	30/12/2022
GCP/GLO/053/EC	Science	EC	Support to the Scientific Committee Programme of Work - Aspects of the Biology of IOTC Species (2020)**	318,986	46	Closed	31/12/2021
MPF Extra-budgetary	Meetings	China	Extra funds for meeting participation	18,000	-	18,000	31/12/2022*
Management Strategy Evaluation	MSE	Australia	Extra funds for Management Procedure and MSE Capacity Building	34,878	-	34,878	Prior to TCMP (2022)
<b>Total</b>				<b>6,689,429</b>	<b>230,001</b>	<b>981,329</b>	

\* To be extended.

\*\* Activities in these projects continued in 2021 with funds previously committed and reported in previous years (i.e. contracts).