



## PURPOSE OF THIS DOCUMENT

To inform the Standing Committee on Administration and Finance (SCAF) of the financial aspects of the Commission for the 2023 financial year (1 January to 31 December 2023).

## STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2023

1. The total of contributions due in 2023 for the 2023 budget was \$4,109,745. As of 31 December 2023, a total of \$4,055,531 had been received (Table 1)
2. The cumulative total of outstanding contribution payments (Members and Ex-Members) has increased by around 2%, from \$2,711,107 as of 31 December 2022, to 2,765,321 as of 31 December 2023. Details on the status of contributions are available in IOTC-2024-SCAF21-04.

### *It is important to pay contributions on time*

3. As explained in the Contributions Outstanding report to SCAF, contributions are a central tenet of Membership of the FAO, and therefore IOTC.
4. 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.

## EXPENDITURES FOR THE YEAR 2023

### *The 2023 budget was underspent by \$458,014.*

5. The total budget for 2023 was \$4,109,745 and the Commission spent (actuals) \$3,651,731. The level of under expenditure from the budget amounted to a total of \$458,014 (Table 1).

6. Explanatory notes on expenditures in 2023 are as follows:

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

7. Professional Salaries were less than the budgeted figure, with an under-expenditure of \$,246,033 (16%). This saving was primarily due to the P5 Science Manager post being vacant from July and the P2 Fisheries Officer (Data) post being vacant from January to November.

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

8. There was an over-expenditure of \$9,070 (12%) in General Service salaries. This was due to the Seychelles rupee becoming stronger against the USD in 2023. Table 2 provides additional details on salary-related costs for staff.

#### ***Employer Contributions (1.3 & 1.4)***

9. Despite an overall increase in the pension remuneration scales and health care costs, employer contributions to the Pension Fund and health insurance costs were 3% below budgeted figures, as a direct consequence of the vacant posts. The contributions to the FAO entitlement fund were 12% 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. An additional Staff Cost Variance of \$-93,485 was credited. Table 2 provides additional details on salary costs related to employer contributions.

**Table 1.** Comparison between actual and budgeted expenditures in 2023 (in US\$).

	Budget Item Description	Budget	Actual	Variance	Percent Diff.
<b>1</b>	<b>Administrative Expenditures - Staff Costs</b>				
1.1	Professional Salaries	1,539,387	1,293,354	-246,033	-16%
1.2	General Service Salaries	76,606	85,676	9,070	12%
	<b>Sub-total Salaries</b>	<b>1,615,993</b>	<b>1,379,030</b>	<b>-236,963</b>	<b>-15%</b>
1.3	Employer contributions to Pension Fund and Health Insurance	437,021	423,055	-13,966	-3%
1.4	Employer contribution to FAO Entitlement Fund	670,875	592,732	-78,143	-12%
1.5	ICRU	78,993	66,663	-12,330	-16%
1.6	Adjustment staff cost variance	0	-93,485	-93,485	100%
1.7	<b>Total Administrative Expenditures</b>	<b>2,802,882</b>	<b>2,367,995</b>	<b>-434,887</b>	<b>-16%</b>
<b>2</b>	<b>Operating Expenditures</b>				
2.1	Capacity Building	62,000	33,288	-28,712	-46%
2.2	Co-funding Science/Data Grants	0	0	0	-
2.3	Co-funding Compliance Grants	0	0	0	-
2.4	Misc. Contingencies	0	0	0	-
2.5	Consultants / Service Providers	542,400	250,354	-292,046	-54%
2.6	Duty travel	165,000	159,123	-5,877	-4%
2.7	Meetings	17,000	105,060	88,060	518%
2.8	Interpretation	135,000	151,400	16,400	12%
2.9	Translation	115,000	94,434	-20,566	-18%
2.10	Equipment	35,000	19,938	-15,062	-43%
2.11	General Operating Expenses	76,000	57,795	-18,205	-24%
2.12	Printing	0	0	0	0%
2.13	Contingencies	10,000	0	-10,000	-100%
2.14	MPF*	0	300,179	300,179	-
	<b>Total Operating Expenditures</b>	<b>1,157,400</b>	<b>1,171,571</b>	<b>14,171</b>	<b>1%</b>
	<b>SUB-TOTAL</b>	<b>3,960,282</b>	<b>3,539,566</b>	<b>-420,716</b>	<b>-11%</b>
<b>3</b>	<b>Additional Contributions Seychelles</b>	<b>-28,750</b>	<b>-32,160</b>	<b>-3,410</b>	<b>12%</b>
4	Deficit Contingency	0	0	0	0%
	<b>TOTAL</b>	<b>3,931,532</b>	<b>3,507,406</b>	<b>-424,126</b>	<b>-11%</b>
5	FAO Servicing Costs	178,213	144,325	-33,888	-19%
<b>6</b>	<b>GRAND TOTAL</b>	<b>4,109,745</b>	<b>3,651,731</b>	<b>-458,014</b>	<b>-11%</b>

\* Actual MPF expenditures were US\$ 300,179 but only US\$ 220,000 was transferred into the fund for use in 2023.

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

10. 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 \$66,663 in 2023 against a budget of \$78,993. This 16% decrease is a consequence of other administrative under-expenditures. Table 2 provides additional details on the allocation of the ICRU to staff.

**Support to Capacity Building (2.1)**

11. The budget line on Capacity Building shows \$33,288 of expenditures against the budgeted figure of \$62,000. This saving was a consequence of the IOTC Secretariat harnessing extra-budgetary resources and partnerships to cover some of the anticipated expenses.

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

12. This budget line was included to cover expenditures related to the IOTC co-funding to externally funded grants for science and data activities. The line was set to \$0 in 2023 under the assumption that any necessary co-funding would be taken from the Consultants/Service Provider lines and the line will be removed from future budgets.

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

13. This budget line is included to cover expenditures related to the IOTC contributions to externally funded projects. It was set to \$0 for 2023 under the assumption that any necessary co-funding would be taken from the Consultants/Service Provider lines and the line will be removed from future budgets.

**Misc. Contingences (2.4)**

14. 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 \$0 since 2019. This line has been removed from future budgets.

**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 consultants and service providers in undertaking workplan activities. The total expenditure for consultants and service providers in 2023 was \$250,354. This represents an under-expenditure of approximately 54%. This under expenditure was largely due to a delay in finalising a significant scientific contract to assess bycatch species in the Indian Ocean. The project will only start in 2024.

**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 2023 was no longer affected by the COVID-19 travel restrictions and travel continued as normal. Consequently, a total of \$159,123 was spent, representing an under-expenditure of approximately 4%.

**Meetings (2.7)**

17. The budget for meetings in 2023 was significantly overspent by US\$88,060. This was foreseen because of the lack of members volunteering to host IOTC meetings and reported to SCAF20 in May 2023. Upon the SCAF's recommendation, the Commission approved that, should the Meetings budget line need additional funds in 2023, these funds would first be taken from savings in other budget lines, then, only if required, on an exceptional basis, from the Working Capital Fund. In 2023, there were sufficient savings to cover the over-expenditure in meetings. The expenditures under this category included some travel of staff to meetings, the meeting facilities used in Nairobi (CDSWG and WPICMM), Seychelles (WPNT and TCAC) and transportation.

**Interpretation (2.8)**

18. The costs for interpretation included the interpreter fees (\$99,015) and travel costs (\$52,385). Efforts to minimise the numbers of interpreters required led to consequential savings in travel costs. However, the overall

interpretation budget was overspent by \$16,400 (12%). An overspend of up to \$40,000 was foreseen due to the additional meetings (Special Session and TCAC) and this was reported to SCAF20 in May 2023. Upon the SCAF's recommendation, the Commission approved that, should the Interpretation budget line need additional funds in 2023, these funds would first be taken from savings in other budget lines, then, only if required, on an exceptional basis, from the Working Capital Fund. In 2023, there were sufficient savings to cover the over-expenditure in Interpretation.

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

19. The translation budget line was under-spent in 2023 by \$20,566(-18%). This was due, in part to the usual annual variability in the volume of documents requiring translation and efficiencies in document production.

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

20. The equipment budget was underspent by \$15,062(-43%). This covered the procurement of some new laptops, hard drives, accessories and a new server. Some small items of furniture were also purchased for the Secretariat offices.

#### ***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 2023. The difference between budgeted (\$76,000) and actual operating costs (\$57,795) represents a 24% saving.

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

22. The printing budget line was set to \$0 for 2023. Since IOTC operates with a paperless policy, the printing line has been removed from future budgets, with the provision that any small printing jobs that might be required (posters etc) would be funded from General Operating Expenses.

#### ***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 2023.

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

24. A total of \$300,179 was spent from the MPF in 2023, requiring a transfer of \$220,000 from the main IOTC budget, as approved by the Commission. Details on the status of the MPF are provided in IOTC-2024-SCAF-05.

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

25. The additional contribution from the Government of Seychelles has been negotiated under the IOTC Headquarters Agreement. This contribution is intended to defray some of the costs of operating the Secretariat, including costs of the Secretariat's Information Technology consultant. In 2023, IOTC received a total of \$32,160 from Seychelles. This positive difference from the budgeted amount is due to exchange rate fluctuations.

#### ***Deficit Contingency (4)***

26. The deficit contingency was set to \$0 in 2023.

#### ***FAO Project Service Cost (5)***

27. The FAO Project Servicing Cost in 2023 was \$144,325, representing a reduction of 19% compared to the budgeted amount. The reduction in servicing costs was proportional to the total savings of the project in 2023.

**Table 2.** Detail of Staff-Related Costs During 2023 (in US\$)

	General Service Staff	Professional Staff
Base Salary Actual	83,080	854,108
Overtime / Secondment	2,596	-
Basic Medical Insurance Plan	27,174	61,157
Contribution to FAO entitlement fund	42,554	550,178
Pension plan	16,206	318,519
Post Adjustment	-	439,246
ICRU	4,531	62,131
Adjustment Staff Cost Variance	(12,757)	(80,728)
Total	<b>163,384</b>	<b>2,204,611</b>
<b>Grand Total</b>		<b>2,367,995</b>

**Table 3.** Detail of General Operating Expenditures in 2023 (in US\$)

Category	Actual Costs
Telephone	3,328
Internet	33,586
Postage	416
Office Supplies	2,876
Water	500
Cleaning	5,987
Vehicle operating and maintenance	1,717
Website hosting and development	8,054
Photocopier and printer	579
Miscellaneous/Environmental and Social Risk	751
<b>TOTAL GOE</b>	<b>57,795</b>

## SUMMARY OF FINANCIAL STATUS – AS OF 31 DECEMBER 2023

28. An overview of IOTC's financial status as of 31 December 2023 is provided in Table 4.

**Overall, the 2023 budget was underspent by 11%.**

29. A total of \$3,651,731 was spent in 2023 against the budget of \$4,109,745 (11% lower than budgeted).

**The total of outstanding contributions has increased by around 2% to \$2,765,321.**

30. The cumulative total of outstanding contribution payments increased from \$2,711,107 as of 31 December 2022, to \$2,765,321 as of 31 December 2023 (an increase of around 2%).

31. The IOTC Secretariat continues to pursue payment of outstanding arrears and has been taking action in the form of generic reminder circulars and letters addressed directly to CPCs.

### **The Working Capital Fund**

32. 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. The arrears payment from Iran in 2022 added a significant amount to the fund.

33. As of 31 December 2023, the WCF had a balance of \$6,345,624, which is an increase of \$774,992 from the balance at the end of 2022. This includes interest added to the account.

#### **Meeting Participation Fund**

34. In 2023, the IOTC Meeting Participation Fund (MPF) was augmented by a transfer of \$220,000 from the main IOTC budget and \$17,000 of extra-budgetary contributions received from China. As of 31 December 2023, the MPF had a balance of funds of \$8,153.

35. Details on the MPF are provided in IOTC-2024-SCAF21-05.

#### **Regional Observer Programme**

36. The Regional Observer Programme (ROP) continued in 2023. The ROP contract underpinning this programme is managed on a May to April calendar cycle. Contributions, based on estimates of activities in 2023-24, amounting to \$738,665 were received from six ROP participants in 2023; in addition, \$22,626.87 was received as interest. A contract for ROP services in 2023-24 valued at \$735,540 was placed with the service provider. As of 31 December 2023, the ROP had a balance of \$52,342 including funds already committed to the ongoing contract.

37. Details on the ROP are provided in IOTC-2024-CoC21-04a.

**Table 4.** Overview of IOTC's financial status as of 31 December 2023 (in US\$)

	<b>2023 Budget / Proposed Usage</b>	<b>2023 Actual Expenditure</b>	<b>Balance as of 31 December 2023</b>	<b>Comments</b>
<b>2023 budget</b>	\$4,109,745	\$3,651,731	\$424,126	
<b>Working Capital Fund</b>	\$0	\$0	\$6,345,624	Includes a voluntary contribution payment of \$60,533 from the UK
<b>Meeting Participation Fund</b>	\$290,000 plus extra-budgetary (\$17,000)0	\$300,179	\$8,153	An extra-budgetary contribution to the MPF of \$17,000 was received from China
<b>Regional Observer Programme</b>	N/A	\$854,487	\$52,342	The contract underpinning this programme is managed on an April to May cycle
<b>Contributions outstanding</b>			(\$2,765,321)	

### **SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE**

That the SCAF:

- a) **NOTE** paper IOTC-2024-SCAF21-06 which includes the Financial Statement and supporting documentation for the financial period 1 January to 31 December 2023.