

## **COST AND BENEFIT OF THE INDIAN OCEAN TUNA COMMISSION (IOTC) WITHIN AND OUTSIDE OF THE FOOD AND AGRICULTURE ORGANISATION (FAO)**

**PREPARED BY: IOTC SECRETARIAT, 12 APRIL 2016**

### **PURPOSE**

To provide the Commission with an opportunity to consider the Cost and benefit of the Indian Ocean Tuna Commission (IOTC) within and outside of the Food and Agriculture Organisation (FAO).

### **BACKGROUND**

At the 11<sup>th</sup> Session of the Standing Committee on Administration and Finance (SCAF11) held in 2014, in recognition of the negative operational constraints and budgetary implications placed on the IOTC by the FAO, Members recommended the following:

SCAF11–08 (para. 49) *The SCAF **RECOMMENDED** that an analysis of the cost and the benefits of IOTC's existence within and outside of FAO's structure be undertaken to ascertain the viability of IOTC breaking from the UN administrative structure and mandate.*

Subsequently, at the 18<sup>th</sup> Session of the Commission (S18) held in 2014, the Commission endorsed the recommendation of the SCAF11 and allocated the necessary funding for a consultant to undertake the required analysis.

The report of the consultant is provided at **Appendix I**.

In addition, the Commission tasked the 2<sup>nd</sup> IOTC Performance Review panel with examining the extent of IOTC's viability within and outside of the FAO structure in terms of the cost and the benefits of breaking from the UN administrative structure and mandate.

The report of the 2<sup>nd</sup> IOTC Performance Review is provided as paper IOTC–2016–PRIOTC02–R.

### **DISCUSSION**

#### ***Cost and benefit of the IOTC within and outside of the FAO***

The report provided at **Appendix I** concludes that:

*“While the cost differential in staying as an Article XIV body of the FAO or leaving and becoming an independent organisation is not significant, there are financial benefits in the order of \$315,000 that would flow to an independent IOTC and this is without other savings that might flow from further review of conditions and travel. Apart from the initial startup which may be significant but are “one off” costs the ongoing costs will be largely the same and may vary depending on the actually approach taken with the staff profile for IT, finance and HR and the salaries, benefits and entitlements granted to staff in an independent model.”*

*“There are two scenarios that members might well consider in detail in arriving at a final destiny and they are:*

- *The IOTC is a small part of a larger FAO and to keep the IOTC in perspective within the FAO system; the IOTC has legal and administrative rights and responsibilities that accrue through Article XIV association under the FAO constitution. The IOTC has 15 staff and an annual budget of \$3 million. The FAO is a major UN organisation with 186 member countries, an annual budget of \$1.2 billion USD, some 4,200 staff including full-time and project staff and at any time manages around 3,500 projects. This being the case the FAO has responsibility for the IOTCs staff and financial management to ensure that it is consistent with the FAO rules and regulations and as such has limited flexibility in what it will be finally prepared to offer in terms of further autonomy; and.*

- *There are four other tRFMOs who all exist and function very professionally and effectively outside of the FAO system. They all retain very good working and professional relationships with the FAO. There is no reason why the IOTC cannot do the same. The flexibility, responsibility and sense of control that comes from a shift to independence may well reinvigorate the IOTC. The financial and other benefits that accrue to an independent IOTC are considerable and should be carefully evaluated.”*

### **2<sup>nd</sup> Performance Review of the IOTC**

Noting the many difficulties faced by the IOTC operating as a ‘Project’ under the FAO system, in particular its ability to effectively meet the Commission’s core objective:

*“The Commission shall promote cooperation among its Members with a view to ensuring, through appropriate management, the conservation and optimum utilization of stocks covered by this Agreement and encouraging sustainable development of fisheries based on such stocks.”*

the Panel concluded that:

*(para. 233) The PRIOTC02 **RECOMMENDED** that the IOTC would be more appropriate as an independent entity. As such, as a matter of the highest priority, the Commission should decide whether the IOTC should remain within the FAO framework or become a separate legal entity, and as necessary, begin consultations with the FAO on this matter.*

### **RECOMMENDATION/S**

That the Commission:

- 1) **NOTE** paper IOTC–2016–S20–05 which provided the Commission with an opportunity to consider the report of a consultant on the Cost and benefit of the Indian Ocean Tuna Commission (IOTC) within and outside of the Food and Agriculture Organisation (FAO), as well as the linkages with the recommendations from the 2<sup>nd</sup> IOTC Performance Review.
- 2) **DECIDE** whether the IOTC should remain within the FAO framework or become a separate entity, and as necessary, begin consultations with the FAO on a road map for separation.

## Indian Ocean Tuna Commission

# COST AND BENEFIT OF THE INDIAN OCEAN TUNA COMMISSION (IOTC) WITHIN AND OUTSIDE OF THE FOOD AND AGRICULTURE ORGANISATION (FAO)

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## Report Structure

1	Introduction to the study	7
2	Brief history of the IOTC	10
3	A brief review of the 2004/07 discussions on creating an independent IOTC	12
	a. The background and key issues	
	b. Key outcomes from the discussions	
	c. Changes and developments; and	
	d. CCLM 88/3	
4	The relevant recommendations from the first performance review	18
5	Implications for a review of external organisations listed in the ToR	19
6	Cost and benefits as an Article XIV body within the FAO	35
7	Cost and benefits as an Article XIV body inside the FAO with more autonomy	45
8	Cost and benefits as an independent body outside of the FAO	54
9	Conclusions	63

<b>List of Attachments</b>	<b>Page</b>	
Attachment 1	FAO CCLM 82/2	14
Attachment 2	FAO CCLM 88/3	15
Attachment 3	FAO FC 157/17	16
Attachment 4	FAO FC 148/21	16
Attachment 5	UNEP/WMO/IPCC MoA	29
Attachment 6	IOTC 2014 Budget	35
Attachment 7	IOTC Functions and Tasks	35
Attachment 8	FAO FC 108/11 (b)	36
Attachment 9	IOTC Circular 2014-85	37
Attachment 10	FAO Cost Recovery Policy	39
Attachment 11	FAO FC 156/7	39

List of Tables		Page
Table 1	Characteristics of tRFMOs	31
Table 2	tRFMO administrative costs staff and benefits	32
Table 3	Operating costs of tRFMO	33
Table 4	IOTC Project Service Costs savings 2011-2015	39
Table 5	Initial Startup costs of an independent IOTC	57
Table 6	Potential additional ongoing costs for independent IOTC	58
Table 7	2014 FAO charges to IOTC	59
Table 8	Costs and Savings of an independent RFMO model	60

## Glossary of Abbreviations and Terms

IOTC	Indian Ocean Tuna Commission
IPTDP	Indo-Pacific Tuna Development and Management Program established in Sri Lanka in 1982, a UNDP Project, executed by FAO to collect statistics, facilitate research and assessment of tuna and tuna-like species in the Indian Ocean and South-east Asia
ICRU	Improved Cost Recovery Uplift- a charge imposed by the FAO to recover the direct costs of security, IT, email, GRMS and help desk activities. This charge was levied at different rates depending on the services, but will disappear and be replaced by a centralized charge of 7%.
Benefits at Standard	A charge assessed to cover the cost of entitlements of professional staff in FAO projects. The method of calculation is based on adding the actual costs of the entitlements paid to officers at each project, by each grade, and an average cost per officer is determined and applied to the budgets of each project or work unit. The benefits include cost of home leave, education grants for the children of staff and other minor benefits. These are general benefits that accrue to staff in the FAO system although they do not apply to locally recruited FAO staff.
PSC	The Project Services Cost (PSC) is used across the FAO on both projects and programme budgets to recover the costs of the global resource management systems (GRMS) that underpins the FAO administrative operations
GRMS	Global resource management system is the name given to the framework of support systems for administration and finance in the FAO
WECAFC	Western Central Atlantic Fisheries Commission
CCCSBT	Commission for the Conservation of Southern Bluefin Tuna
IATTC	Inter-American Tropical Tuna Commission
ICCAT	International Commission for the Conservation of Atlantic Tuna
WCPFC	Western and Central Pacific Fisheries Commission
CRFM	Caribbean Regional Fisheries Mechanism
NAFO	North Atlantic Fisheries Organisation
NPFAC	North Pacific Anadromous Fish Commission
SRFC	Sub-Regional Fisheries Commission
RECOFI	Regional Commission for Fisheries
APFIC	Asia Pacific Fisheries Commission
CECAF	Fisheries Commission of the Eastern Atlantic

GFCM	General Fisheries Commission of the Mediterranean
UNJSPF	United Nations Joint Staff Pension Fund
ILO	International Labor Organisation
WIPO	World Intellectual Property Organisation
WHO	World health Organisation
UPU	Universal Postal Union
WMO	World Meteorological Organisation
UNEP	United Nations Environment Program
IPPC	International panel on Climate Change
STAN	English interpreter Service of the UPU
IARC	International Agency for research on Cancer
UPOV	International Union for the protection of New Plant Varieties
ISSA	International Social Security Association

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## Chapter I Introduction

The issue of separation from the FAO and/or more autonomy is as old as the IOTC itself. Greater autonomy was an issue at the time of creation of the IOTC and separation was seriously considered by members and the FAO from 2004-2007. During this period significant investigatory work was undertaken on this issue to determine the changes and work that would need to be completed for the IOTC to transit to an independent organisation. Many of these papers and concepts are still current today and have been referenced for this study.

In 2004 the issue confronting the IOTC was largely about how to integrate and manage the catch of Taiwan Province of China (TPoC) into the management, science and assessments for the Indian Ocean tuna stocks. It was felt at the time that if this could be done then it would make the IOTC a more efficient and effective organisation.

The opportunity to separate in 2004-2007 was not unilaterally supported by members or by the executive in the FAO at the time and was not pursued to its conclusion. Two papers lodged at that time remain important today and they are:

1. The FAO paper from the Committee on Constitutional and Legal Matters (CCLM 82/2) which provided a legal interpretation on the process for the change in nature of a Statutory Body under Article XIV of the FAO Constitution. This paper will continue to be important in any debates about separating the IOTC from the FAO; and
2. The letter from the G77 attached to CCLM 82/2 outlining the reasons they did not agree with the proposed changes. Again this letter is important as it contains a number of concerns that the G77 had about the IOTC leaving FAO and these may or may not still be current.

The 1<sup>st</sup> Performance Review of the IOTC which was completed in 2009, made a number of recommendations. Many of these have been addressed; however, two critical issues raised in the report are still outstanding; the IOTC Agreement is now out dated and needs to be modernized, and concerns about the financial management arrangements between the IOTC and the FAO remain and these need to be addressed so that the parties can move forward. The 1<sup>st</sup> Performance review findings are as follows:

### ***I. The legal framework of the IOTC Agreement:***

*“The analysis of the legal text of the IOTC Agreement identified a series of gaps and weaknesses which can be summarized as follows:*

*The IOTC Agreement is outdated as it does not take account of modern principles for fisheries management. The absence of concepts such as the precautionary approach and an ecosystem based approach to fisheries management are considered to be major weaknesses. The lack of clear delineation of the functions of the Commission or flag State and port State obligations provide examples of significant impediments to the effective and efficient functioning of the Commission.*

*The limitation on participation to this RFMO, deriving from IOTC’s legal status as an Article XIV Food and Agricultural Organisation of the United Nations (FAO) body, conflicts with provisions of United Nations Fish Stocks Agreement (UNFSA) and prevents major fishing players in the Indian Ocean from discharging their obligations to cooperate in the work of the Commission.*

*The IOTC relationship to FAO, most notably in the budgetary context, negatively affects the efficiency of the work of the Commission, with neither Members nor the Secretariat in full control of the budget. This also raises questions relating to the level of transparency in the Commission’s financial arrangements.*

*The Panel recommends that the IOTC Agreement either be amended or replaced by a new instrument. The decision on whether to amend the Agreement or replace it should be made taking into account the full suite of deficiencies identified in the Review.”*

***“Financial arrangements***

*The Panel analysis revealed that the relationship of IOTC to FAO in terms of financial issues is negatively affecting the workings of the Organisation. Under this arrangement, the budget is not entirely under control of its Members or the Secretariat. While the Secretariat is a budget holder, execution of the budget depends on FAO, which puts both a constraint on and reduces transparency in IOTC’s financial management. All contributions and donations from Members to the autonomous budget have to be deposited in a Trust Fund which is administered by the FAO Director General. Moreover, the Finance Committee of FAO has the power to disallow the IOTC financial regulations and amendments thereto if it finds them inconsistent with the FAO Financial Regulations. This arrangement limits the ability of the Secretariat to manage the budget independently, and overall, limits the control of IOTC Members over it. It should also be noted that FAO has not provided any contributions to the IOTC as foreseen in Article VIII.3 of the Agreement. It is therefore clear that a modification of the financial management status quo is needed.”*

A review on the progress for implementing the recommendations of the 1<sup>st</sup> Performance Review shows that while a number of the recommendations including the introduction of the precautionary principle have been implemented. However, the IOTC Agreement remains the same and needs to be modified to reflect the UN Fish Stocks Agreement (UNFSA), and although some effort has been made to provide a better understanding of the budgetary arrangements in the FAO and to provide some flexibility in relation to the financial arrangements, this is still an issue of concern for members.

The Terms of Reference (ToR) for this study “Cost and benefit of the IOTC within and outside the FAO”; lists the drivers for the study as;

*“...FAO provides certain services to IOTC including treasury and financial management, payroll, staff classification and recruitment, procurement and contracting for high value goods and services. FAO imposes a charge against IOTC funds to cover the costs of the services that FAO claims it provides.*

*FAO directly manages more than 2/3 of the IOTC budget (staff related costs and servicing costs), which includes staff entitlements and insurances that are integrated in the FAO global regime. There is no clarity on the way that this expenditure is managed and if all staff is benefiting from all FAO staff entitlements and insurances. Moreover, an audit to this expenditure has not been possible to be undertaken so far.*

*Recently, FAO also imposed new costs to the IOTC - Improved Cost Recovery Uplift (ICRU) - to recover, according to FAO, the costs of central services provided by Security and Information Technology relating to field personnel.*

*All extra-ordinary contributions to the IOTC secretariat to implement fisheries development, capacity building, science or any other actions related to the IOTC mandate are also subject to the above mentioned contribution costs, despite the non-involvement or support from FAO to the achievement of the above mentioned actions.*

*Annual and extraordinary contributions to IOTC are subjected to FAO financial requests that delay the payment and impose specific rules risking creating treasury problems to the secretariat.”*

As part of the review the consultant is to:

- provide an analysis of the major tuna RFMOs,
- develop options and structures for the IOTC outside of FAO
- develop options for the IOTC to remain within the FAO
- study and review staff entitlement plans in other RFMOs and organisations and provide a comparative analysis; and
- consider the current status of CCLM 88/3 and IPSAS

This report addresses these issues in a practical way so that members can gain the best value from the study. The report has been structured with introductory sections on past activities and considerations to give the report context and then there are 3 Chapters:

- Costs and Benefits as an Article XIV organisation inside the FAO,
- Costs and Benefits as an Article XIV organisation inside the FAO but with more autonomy; and
- Costs and Benefits outside of the FAO as an independent organisation.

## Costs

The definition of costs is reasonably well understood and tangible “*the price of something; the amount of money that is needed to pay for or buy something; an amount of money that must be spent regularly to pay for something (such as running a business or raising a family)*” is one of many definitions. Costs can be allocated to items and tasks and estimated based on examples of costs for similar services.

## Benefits

Benefits are somewhat less tangible and as such what might be seen as a benefit to one person may not be seen as a benefit to another person or group and as such agreeing on “benefits” may be difficult. Benefits can also be seen as available services and a good example is FAO’s audit program and security services; in one sense they are a benefit as they provide some scrutiny of the expenditure and the safety of staff and on the other had they can be viewed as services available to organisations. For this report these types of services have been considered as benefits as they provide an advantage in existing, however, there is an alternative argument. The general definitions include “*Something that is advantageous or good; an advantage, helpful or good effect*”; and the estimations of benefits in this report have been on the basis that the benefits provide an advantage. Whether everyone agrees in all cases that a benefit is actually a benefit will be open to debate, however, in all cases they are included on the basis that they provide an advantage.

In addition there are “staff benefits” which are allowances and payments made to staff for rent, education allowances, post adjustments etc; and while these provide a benefit to staff they are a “cost” to the organisation.

In reading this report it is important to keep the IOTC in perspective within the FAO system; the IOTC is an Article XIV body of the FAO and was established in 1996 and as such has legal and administrative rights and responsibilities that accrue through Article XIV association under the FAO constitution. The IOTC has 15 staff and an annual budget of \$3 million. The FAO is a major UN organisation with 186 member countries, an annual budget of \$1.2 billion USD, some 4,200 staff including full-time and project staff and at any time manages around 3,500 projects.

What is important and fundamental for the future health and progress of the IOTC is that following this review, the IOTC members and the FAO agree on a way forward and that the uncertainty and that has influenced the working relationship between the FAO and the IOTC over a number of years ceases and the IOTC moves on with doing what it should do best... ..sustainably managing the tuna stocks of the Indian Ocean.

## Chapter 2 A brief history of tuna management in the Indian Ocean and the establishment of the IOTC as an Article XIV body of the FAO

In 1967 following FAO Council Resolution 2/48 the FAO established under Article VI-I the Indian Ocean Fisheries Commission (IOFC) noting at the time that it was not an official treaty/convention or agreement. Four committees were established under the Commission, including, in 1968, an Indian Ocean Tuna Committee. These Committees were expected to evolve into independent regional arrangements, or disappear, by the time the IOFC itself completed its work in 1999.

Aware of the need to plan for the period following the IOFC, at the 9<sup>th</sup> session of the Tuna Committee in December 1986 the Commission established an ad-hoc working group (called an “intergovernmental consultation”) to develop a proposal for future arrangements. This Group met twice, in 1987 and early 1988, and presented its conclusion to the Tuna Committee at its 10<sup>th</sup> session in 1988. In line with the decisions of the Committee, the FAO engaged in the preparation of an agreement for a future Indian Ocean Tuna Commission.

The proposal and text was developed by FAO and a consultation was conducted at the first conference of the parties that met in Rome in April 1989 to adopt a convention for the management of Indian Ocean tuna. That conference agreed on the need for the Indian Ocean Tuna Commission but failed to agree on the text. The reasons for failing to agree were: 1) the delegation by EU member states of the fisheries management responsibilities to the EU wished to participate formally and the EU had yet to be recognized by the FAO and, as such, the EU could not become a party and; 2) the members asked for more autonomy in the management of the Indian Ocean Tuna Commission. Both issues were addressed intersessionally and the issue of the EU resolved so that they could participate in the second session in 1992. The issue of autonomy had been discussed in the FAO Conference in November 1991 and amendments made to the basic texts to allow flexibility under Article XIV (FAO Fisheries Report 482) and this was discussed further at the second Conference of the Parties in June in 1992 and accepted. At the second Conference it was agreed to adopt the text of the Agreement and this was adopted by the FAO at its 105<sup>th</sup> Session in Rome in November 1993. The Agreement entered into force in March 1996 with the tenth instrument of acceptance by the Director-General of FAO from Republic of Korea on 27 March 1996.

In the meantime, the need for coordination of research, data collection and assessment in the Indian and Pacific Oceans have been discussed in the context of joint meetings between the IOFC and the sister organization for the Southeast Asia region, the Indo-Pacific Fishery Commission (IPFC). In 1982 UNDP funded an Indo-Pacific Tuna Development and Management Programme (IPTP) based in Sri Lanka that provided a coordination role for the collection of basic fishery data until the Secretariat of the future IOTC became fully operational by the end of the 1990's.

The objectives of the IOTC Agreement are specified in Article V of the Agreement

*“The Commission shall promote cooperation among its Members with a view to ensuring, through appropriate management, the conservation and optimum utilization of stocks covered by this Agreement and encouraging sustainable development of fisheries based on such stocks.”*

What is the IOTC?

The IOTC is an Article XIV body of the FAO, however, it is also considered globally as an autonomous Regional Fisheries Management Organisation (RFMO) responsible for the management of the tuna stocks in the Indian Ocean and as part of the network of five tuna RFMOs (tRFMOs). Administratively, the FAO system manages the IOTC as a “project” that is renewed every 3 years for continuation.

The IOTC members, however, see it very much as an ongoing and autonomous tuna RFMO and not a project subject to renewal, and this is in part related to the commitments they gave in ratifying the treaty for the IOTC. Globally the IOTC is regarded as part of a network of five tuna RFMOs responsible for the management of the

worlds tuna stocks in no sense is it seen by civil society as anything but a permanent organisation, part of the global network for tuna management.

Today the IOTC Secretariat is based in the Seychelles under a Headquarters Agreement between the Seychelles government and the FAO. This agreement stipulates the support that will be provided by the Seychelles government and the privileges, immunities and conditions the IOTC and its staff will enjoy while based in the Seychelles. The IOTC Secretariat currently has 15 staff positions, of which nine are professional staff positions and 6 are General Service staff. All of these staff are FAO employees and enjoy the benefits and conditions that flow to FAO staff worldwide as part of the broader UN Common system.

### **Consideration**

As can be seen through the short history outlined above, the FAO was a central figure in establishing the IOTC. Without the initial Tuna Committee in the Indian Ocean and the effort to draft and bring into being the convention/ agreement and its ratification, management of these important tuna stocks may well have been delayed for many years. FAO took a central role providing the initial text for the convention and facilitating the process of adoption when no other country was in a position to provide such leadership. Furthermore, in the 1980's countries had significant regard for the FAO and did not see any difficulty in agreeing to the Article XIV route for establishment.<sup>1</sup> There is no evidence of any other motive on behalf of the FAO or the members of the IOFC at the time except to work collaboratively to establish a Commission to manage fish stocks in the Indian Ocean consistent with the provisions of the UN Law of the Sea (Articles 65 and 116-119).

Interestingly, however, the discussions at the 11th session of the IOFC in 1990 when considering the draft IOTC agreement the members agreed to establish the IOTC under Article XIV but stressed that it needed considerable autonomy and that this could only be achieved by amending Article XIV. It would appear that those original members may well have had similar concerns as the members today in that they felt there needed to be more autonomy for the members of the Commission to manage its day to day business outside of the formal FAO system. This is reflected in the frequent reference by the IOTC to the functional autonomy that Article XIV bodies require in order to be effective and efficient.

It should be noted that the other four tRFMOs all operate successfully as independent regional fisheries organisations, responsible to their members and for their own staff selections, budgets, financial and project management, science, compliance and reporting.

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<sup>1</sup> Alejandro Anganuzzi, former Coordinator of IPTP, Science Manager of IOTC, and Executive Secretary of IOTC, pers.comm.

### Chapter 3: Previous discussions about leaving the FAO 2004-2007; changes and developments

The 2004-2007 discussion between IOTC members and the FAO concerning finding a better administrative structure and efficiencies for the IOTC had a number of triggers including:

- the inability of the current system to address the integration of fishing entities fishing in the Indian Ocean at that time,
- The perceived interference of the FAO in the IOTC management with IOTC members questioning if and how they added value to the process.
- The lack of flexibility and autonomy operating in the FAO system; and
- The cost of operating under the FAO system.

These discussions culminated with decisions taken at the 2005 Commission meeting in Mahe in the Seychelles which is recorded in the minutes of that meeting as follows:

#### *“9) MATTERS ARISING FROM THE EIGHTH SESSION*

##### *a) Further consideration of the issues raised by Documents IOTC-S7-02-10 and IOTC-S8-03-9E (paragraph 37).*

*47. The Chairman reported that the following decisions relating to improving the effectiveness and efficiency of IOTC which had been agreed during a meeting of the Heads of Delegations:*

- i. Noting that in the last three Sessions and in bilateral contacts during the inters-sessional period conducted by the Chairperson, the Members of the Commission had held discussions regarding the possible recourse to the use of resolutions to improve the effectiveness and efficiency of the organisation. However, no consensus was or could be reached as to the nature of these resolutions.*
- ii. Therefore it was agreed that it was necessary for the Commission to develop an alternative approach to ensure the IOTC could attain its objectives and operate in a more effective and efficient manner.*
- iii. The Commission unanimously agreed therefore to pursue the following course of action to attain that objective:*
  - A Special Session of the Commission would be convened for 20 – 24 February 2005 to explore ways to achieve a more effective and efficient organisation, notably through a change in the relationship between the IOTC and the FAO, in accordance with the provisions of Article XX of the Agreement.*
  - The Chairperson and Executive Secretary were authorised to take all necessary steps to organise this Special Session in accordance with Article VI.5 of the Agreement and Rule II of the rules of procedure*
  - In foreseeing the necessary amendments to the IOTC Agreement, Rules of Procedure and Financial Rules, it is the intention of the Commission that no new obligations for the Members will be created.*
  - It was stressed that it is the Commission’s desire to maintain a close relationship with FAO, and to this effect, a document will also be prepared containing a draft Cooperation Agreement between the two organisations.*

- *For this Special Session, separate documents would be prepared containing a set of draft minimum amendments to the Convention, rules of procedure and financial rules, accompanied by background documents. In addition, a draft declaration would be prepared for adoption at the Special Session to the effect that the amendments to the Agreement are not considered to create new obligations.*
  - *The Session would have to deal with transitional issues, including staff and budgetary issues. It is trusted that FAO could assist in that transition period.*
- iv. *The Commission authorised the Executive Secretary, in consultation with the Chairperson, to undertake all the necessary administrative and financial steps for the preparatory work for the Special Session to be carried out, including the selection of a legal consultant and such other assistance as the Secretary considers necessary.*
- v. *It was noted that this Special Session will not involve additional costs to the organisation and the exact location has to be decided.*

48. *FAO indicated that it has taken note of these decisions and that FAO will collaborate and cooperate in the process. FAO pointed out that many members will be participating in the process in a dual capacity, since they are also members of FAO Council which will have to review the results of this process. FAO also indicated that in the meantime, it will take steps to improve the operation of the Secretariat, including the administrative and financial accountability and transparency.*

#### **b) Clarification of the relationship between IOTC and FAO**

49. *FAO presented IOTC-2005-S9-07 containing an extract from the report of the FAO Council, in its 127th Session, held in November of 2004 dealing with the legal status of bodies established under Article XIV of the FAO Constitution."*

The move to become an independent organisation outside of the FAO was supported by the majority of the members of the IOTC and this is evident in the minutes from the 3<sup>rd</sup> Special Session of the IOTC in Goa in May 2006. The Secretariat began to prepare Rules of Procedures and other supporting documentation to establish an independent Commission but one with strong links to the FAO.

In addition to the issue of fishing entities the other issues of concern to those members in favor of change in 2006 were largely focused on the financial control that the FAO could exercise over the IOTC members and budget. The issues are captured in the text of the 1<sup>st</sup> Performance Review:

#### ***Financial arrangements***

*The Panel analysis revealed that the relationship of IOTC to FAO in terms of financial issues is negatively affecting the workings of the Organisation. Under this arrangement, the budget is not entirely under control of its Members or the Secretariat. While the Secretariat is a budget holder, execution of the budget depends on FAO, which puts both a constraint on and reduces transparency in IOTC's financial management. All contributions and donations from Members to the autonomous budget have to be deposited in a Trust Fund which is administered by the FAO Director General. Moreover, the Finance Committee of FAO has the power to disallow the IOTC financial regulations and amendments thereto if it finds them inconsistent with the FAO Financial Regulations. This arrangement limits the ability of the Secretariat to manage the budget independently, and overall, limits the control of IOTC Members over it. It should also be noted that FAO has not provided any contributions to the IOTC as foreseen in Article VIII.3 of the Agreement. It is therefore clear that a modification of the financial management status quo is needed."*

The concerns of members not in favor of change included issues such as:

- Security as part of the FAO framework,
- FAO's ability to assist if things go wrong,

- FAO provides a buffer for developing countries in dealing with pressure from developed countries and Distant Water Fishing Nations or (DWFN) in deciding issues within the Commission, in effect they felt threatened and the FAO presence was re-assuring. To this end the G77 statement to the FAO and IOTC at the time is relevant and included the following... *“The G-77 Members of IOTC view with concern a proposal which, although presented as a means of improving the efficiency and effectiveness of IOTC, would in fact place the high value Indian Ocean Tuna stock under the direct control of a limited number of Members carrying out large-scale operations in the region. They note that a commission outside the United Nations System would not offer the same guarantees of sovereign equality of all Members, independence, impartiality, objectivity and multilateralism.”*

Following the Mauritius meeting in 2007 the momentum for the establishment of an independent tuna Commission for the Indian Ocean seemed to begin to unravel and the move from the FAO began to lose the universal support it had enjoyed. Two developments influenced members and prevented the IOTC becoming an independent organisation. 1) The FAO produced legal advice in the form of FAO CCLM 82/2 (*attachment 1*) and 2) as part of that advice there was a letter from the G77 attached to CCLM 82/2 outlining their concerns with the separation from the FAO and effectively withdrawing its support from the process.

The legal advice has no doubt been well studied by IOTC members and there is alternative legal opinion. The fact remains however, that this FAO legal opinion remains current. If the IOTC members are contemplating a further move towards independence then a serious analysis of this legal opinion and discussion with the FAO legal section and ADG Fisheries would need to occur as the legal advice suggests that the options open to the IOTC members are restricted and would need to follow a formal process.

The issues raised in the letter from the G77 may or may not still exist but again clarification would be essential in any decision to discuss further the issue of independence.

At the FAO Councils 132 Session in Rome in 2007 the issue of Article XIV bodies and the IOTC was discussed in some detail following initial advice to the Council from the CCLM. The council endorsed the following recommendations (FAO CL 132/RP):

*“120. The Council endorsed the conclusions of the CCLM that the situation which had arisen was complex and unprecedented and, therefore, that it was essential to make a complete review of the matter, keeping in mind all the implications of any possible option, including the fact that any decision in that respect would set a precedent in international law impacting upon other organizations of the United Nations System. The Council endorsed the CCLM request that an informal group of legal experts of all the IOTC Members, CCLM Members, as well as representatives of relevant organizations of the United Nations system as appropriate, should examine the matter. The CCLM would subsequently review the work of the informal group and provide its advice to the Council.*

*121. The Council noted the concerns voiced during the debates regarding the efficiency and effectiveness of IOTC which were the stated reasons for the process under way. The Council concluded that such concerns and reasons should be addressed, as a matter of priority, through discussions between the FAO Secretariat and concerned IOTC Members, and that the Secretariat would report on the outcome of such discussions to the CCLM and any other appropriate body.”*

### **What has happened since the 2004-2007 discussions?**

Without wanting to investigate this 2004-2007 process further, in discussions with some who were involved at the time and viewing the organisation and its issues today, some changes have occurred and some issues have remained the same.

### The things have stayed the same:

- TPoC was and remains the largest longline fishery in the Indian Ocean and continues to be the dominant longline operator to this day. There have been some developments since 2007 in relation to TPoC with selected “experts” from TPoC being able to attend IOTC sessions as observers and to contribute data. China has assumed responsibility for the TPoC catch in the Indian Ocean and pays a portion of its budget for that purpose. However, the issue of the IOTC being able to deal permanently with TPoC and in particular their level of catch and effort remains outstanding.
- Costs of operating inside the FAO system remain a concern to some IOTC members
- Members still do not feel they have sufficient autonomy or more functional autonomy within the current framework
- Except for the issues raised in the 1<sup>st</sup> Performance Review of the IOTC, there does not appear anywhere a detailed description of why or in what way members felt the IOTC was inefficient or ineffective and what they wanted to do to improve it and the issues that continue to reoccur in discussions include control over budget, FAO costs, external audit and unpredictable salary cost fluctuations.
- Leaving the security of the FAO framework may or may not still be an issue to member countries.

### Those things that have changed

- In relation to the issue of administration and relationship with the FAO, the FAO makes a serious effort to attend sessions of the IOTC at a very senior level in order to better explain the FAO and its ongoing relationship with Article XIV bodies.
- The IOTC Secretariat now has direct access to the FAO financial and administrative online services and systems and this clearly helps to improve its control of administrative and financial processes, operations and the timeliness of payments.
- The FAO continues to grant the IOTC a concessional rate on Project Services Costs (PSC) and recently on Improved Cost Recover Uplift (ICRU) charges.
- Following the FAO Councils endorsement of recommendations at its 132 Session in 2007, in 2009 the FAO CCLM produced CCLM 88/3 (*attachment 2*) which was a preliminary review of allowing Article XIV bodies to exercise more administrative and financial control, yet remain within the FAO system.
- The FAO Council consider the recommendations of CCLM 88 at its 137<sup>th</sup> Session and endorsed the recommendations as follows:

*“53. The Council noted that the CCLM had examined a preliminary review of Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO. The Council expressed satisfaction at the comprehensive nature of the preliminary review and stressed that its implementation should be seen as an on-going process to be carried out in the course of the next few years. The Council invited the Secretariat to take action in respect of matters within its authority and consult the relevant Governing Bodies with regard to matters which would need to be considered by the Membership. The Council endorsed the recommendation of the CCLM that, in the context of that process, the Membership of relevant Statutory Bodies, with particular reference to bodies under Article XIV or Article VI enjoying substantial functional autonomy, should be invited to consider the preliminary review and offer their views on the issues addressed therein. (FAO Council 137<sup>th</sup> Session)”*

In January 2015 the FAO produced Finance Committee (FC) paper (FC 157/17) “*Progress Report on Delegations of Authority to Bodies under Article XIV of the Constitution, taking into account their differentiated nature*”. This paper is attached for your reference (*attachment 3*).

FC 157/17 provides an update on FC 148/21 “**Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO**”. Appendix ii of I48/21 is attached (*attachment 4*) as it provides a link from CCLM 88 through to FC 157/17 the progress to granting greater levels of delegation to Article XIV bodies of FAO. Both of these Finance Committee papers are important to this paper and are reviewed more thoroughly in Chapter 7 “Option 2” below.

### **Committee on Constitutional and Legal Matters (CCLM) 88/3**

CCLM 88/3 was prepared for consideration at CCLM 88 in September 2009 following the endorsement of recommendations by the FAO Council in 2007. This paper is useful for the review considerations as it outlines the responsibilities of organisations established under Article XIV to the FAO as the parent body.

The following observations are drawn from the FAO paper CCLM88/3:

- The FAO has legal and financial obligations under the broader UN system of agencies for the performance and operations of bodies constituted under Article XIV.
- The FAO believes that some Article XIV bodies with autonomous budgets now enjoy a certain level of autonomy and this extends to deciding on budgets and work programs, signing some agreements, communicating with member governments, travel arrangement and the participation in meetings.
- Staff and Human Resource matters are the purview of the FAO as staff responsibility is part of a broader UN Common system of benefits and conditions and as such there is little scope to provide further autonomy in this area.
- Financial arrangements are part of an established FAO/UN framework which includes auditing and financial reporting under the International Public Sector Accounting Standards (IPSAS) and as such there again is limited scope to provide flexibility or autonomy within this system.
- FAO considers a number of areas where more flexibility might be possible including Part B of the report (paras 44-48) the CCLM paper considers budget and financial issues for those organisations with autonomous budgets, (such as the IOTC) the issues of standard costs and project servicing costs are mentioned but not resolved and the focus is on improving financial reporting.
- Part E (para 63-66) deals with extra budgetary funding including the right to sign agreements but does not address the issues of on-costs attributed to the management of these funds which is an issue for IOTC members.
- The other areas with potential flexibility are more peripheral areas such as external relationship rules, attendance at meetings, travel, the relationship with donors and translation costs and services. These areas are important but in some sense the benefits of them have already been applied in the IOTC.

The issues raised in CCLM88/3 will be discussed further as they apply to other considerations in this paper. However, to be fair in a large multi-national intergovernmental UN organisation which the FAO is, it is a lot more sensible to have a standard set of rules that apply to all parts of the organisation than to create exceptions and special arrangements that apply to small organisations such as the IOTC, as they are far easier to administer and monitor.

## **Considerations relating to separation or continued Article XIV association**

### **What benefits accrue to members of organisations established under Article XIV of the FAO Constitution?**

As noted above “benefits” can be difficult to agree however, without FAO involvement throughout the 1970’s and 1980’s the evolution of the IOTC may well have taken a lot longer to achieve. Article XIV organisations and their relationship with and responsibilities to the FAO were studied in some detail in CCLM 88/3 released by the FAO in 2009.

Article XIV association with the FAO can provide to these bodies:

- automatic access to established human resource, administrative and financial systems, practices and procedures
- legal services
- benefits of security and access accruing from a comprehensive set of privileges and immunities established between FAO and members countries
- an established regional framework of offices and staff, and
- status within the international community as a FAO/UN organisation
- benefits to staff as members of the UN systems for pay and conditions
- Article XIV bodies where members pay their way with autonomous budgets, have a certain degree of autonomy to decide on budgets, work programs and expenditure.

These benefits, immunities and privileges are significant and have obviously been both useful and important to the IOTC in facilitating its development and should be considered and evaluated in any move towards independence.

### **What are the advantages or benefits that accrue to the other tRFMOs as independent organisations?**

As mentioned above the other four tRFMOs are all successful standalone organisations and they all maintain good working relationships with the FAO. The benefits and advantages of independence could include:

- The right to recruit and select staff
- The sense of ownership and responsibility that members have in establishing an organisation they are responsible for
- The ability to determine the budget and financial structure of the organisation
- Ability to engage with fishing entities fishing in the region
- The ability to enter directly into third party agreements for extra budgetary funding
- The capacity to enter into agreements with countries and organisations for cooperation and information sharing; and
- The capacity to participate in international meetings and workshops and represent members views on issues in an unrestrained manner

## Chapter 4 The 1<sup>st</sup> IOTC Performance Review recommendations

The 1<sup>st</sup> Performance review of the IOTC is an excellent document and many of the recommendations have been accepted and progressed. However, of interest to this study are the core recommendations on the future structure of the IOTC and the panels concerns on financial matters. These recommendations and concerns are still at the heart of the issues between the IOTC and the FAO. Regardless of what final option is taken by the IOTC on its future, the issues will need to be resolved. The key outstanding issues and recommendation from the 1<sup>st</sup> Performance Review are:

### ***The legal framework of the IOTC Agreement:***

*“The analysis of the legal text of the IOTC Agreement identified a series of gaps and weaknesses which can be summarized as follows:*

*The IOTC Agreement is outdated as it does not take account of modern principles for fisheries management. The absence of concepts such as the precautionary approach and an ecosystem based approach to fisheries management are considered to be major weaknesses. The lack of clear delineation of the functions of the Commission or flag State and port State obligations provide examples of significant impediments to the effective and efficient functioning of the Commission.*

*The limitation on participation to this RFMO, deriving from IOTC’s legal status as an Article XIV Food and Agricultural Organisation of the United Nations (FAO) body, conflicts with provisions of United Nations Fish Stocks Agreement (UNFSA) and prevents major fishing players in the Indian Ocean from discharging their obligations to cooperate in the work of the Commission.*

*The IOTC relationship to FAO, most notably in the budgetary context, negatively affects the efficiency of the work of the Commission, with neither Members nor the Secretariat in full control of the budget. This also raises questions relating to the level of transparency in the Commission’s financial arrangements.*

*The Panel recommends that the IOTC Agreement either be amended or replaced by a new instrument. The decision on whether to amend the Agreement or replace it should be made taking into account the full suite of deficiencies identified in the Review.”*

### ***“Financial arrangements***

*The Panel analysis revealed that the relationship of IOTC to FAO in terms of financial issues is negatively affecting the workings of the Organisation. Under this arrangement, the budget is not entirely under control of its Members or the Secretariat. While the Secretariat is a budget holder, execution of the budget depends on FAO, which puts both a constraint on and reduces transparency in IOTC’s financial management. All contributions and donations from Members to the autonomous budget have to be deposited in a Trust Fund which is administered by the FAO Director General. Moreover, the Finance Committee of FAO has the power to disallow the IOTC financial regulations and amendments thereto if it finds them inconsistent with the FAO Financial Regulations. This arrangement limits the ability of the Secretariat to manage the budget independently, and overall, limits the control of IOTC Members over it. It should also be noted that FAO has not provided any contributions to the IOTC as foreseen in Article VIII.3 of the Agreement. It is therefore clear that a modification of the financial management status quo is needed.”*

Action has progressed on many of the recommendations in the 1<sup>st</sup> IOTC Performance Review including the adoption of the precautionary approach, and the FAO has made an effort to improve the understanding and availability of the FAO financial arrangements and systems, however, these core issues and recommendations and still seem to be at the heart of the management issues between the IOTC and the FAO.

There was no detailed description as to how the current Financial Arrangements affects the Commission:

The Executive Secretary is the Budget Holder and it has control and responsibility on the execution of the IOTC budget. Financial reports are presented to the members

The DG does not directly administer the funding received. This responsibility lies with the Budget Holder; and

The Finance Committee has never disallowed any regulations.

## Chapter 5: Review of other RFBs, RFMOs and UN related agencies listed in the Terms of Reference.

### Background

Globally the FAO lists some 31 Regional Fisheries Bodies (RFB's) of which nine are FAO Article XIV bodies similar to the IOTC and 22 are standalone autonomous bodies supported by their members.

### I Article VI and Article XIV Regional Fisheries Bodies

Of the Article VI and XIV fisheries bodies the study considered the business models of:

- The Regional Commission for Fisheries (RECOFI)
- Asia Pacific Fisheries Commission (APFIC)
- Fisheries Commission for the Eastern and Central Atlantic (CECAF)
- Western Central Atlantic Fisheries Commission (WECAFC) and
- The General Fisheries Commission of the Mediterranean (GFCM).

These regional fisheries bodies (RFB) are described separately then conclusions drawn as to any business models or practices that may be of use when considering the future of the IOTC.

### The Regional Commission for Fisheries (RECOFI)

RECOFI is a very small RFB with seven members that came into effect on 26 February 2001 as an Article XIV body of FAO. RECOFI is responsible for the management of fish stocks and the sustainable development of aquaculture in a defined area of the Red Sea bounded by Ras Dhabat Ali and Ras Al-Fasteh. The objective of RECOFI is as follows “*The purpose of the Regional Commission for Fisheries (RECOFI) is to promote the development, conservation, rational management and best utilization of living marine resources, as well as the sustainable development of aquaculture within its area of Agreement.*”

The Commission Secretariat is provided by the FAO from the FAO Regional Office for the Near East and North Africa in Cairo and the Commission meets every two years. The Commission is a FAO project and does have a trust fund established to receive contributions to its budget. The FAO does not charge PSC in relation to this trust fund and it is assumed that this happens as the fund never exceeds \$100,000 USD. Until recently the RECOFI members only paid \$5,000 annually and this has just been raised to \$15,000 per annum but only if the arrears owing to REC OFI are settled and that is yet to occur. To date the FAO have contributed the cost of the Secretariat and much of the work that has been undertaken has been funded by the budget of the FAO regional office on a case by case basis. The FAO have made a major contribution to the RFB in an attempt to see it properly established.

The current membership of RECOFI is; Bahrain, Iraq, Iran (Islamic Rep. of), Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

### Observations

The scale, scope and maturity of RECOFI are very different to that of the IOTC and as such there are few if any lessons that can be applied to the current IOTC situation. However, it is difficult to understand why these member countries, all with significant wealth, will not or cannot contribute to a reasonable budget to support the

organisation. One reason may be that fish and aquaculture as industries are not of significant interest at this stage to these countries.

### **Asia Pacific Fisheries Commission (APFIC)**

This is one of the oldest Regional Fisheries Bodies originally established as the Indo-Pacific Fisheries Council (IPFC) in 1948 as an Article XIV regional fisheries body. IPFC had a number of name changes then in 1994 it became the Asia Pacific Fisheries Commission (APFIC) that we know today.

The mandate of APFIC is broadly to: *“promote the full and proper utilization of living aquatic resources by the development and management of fishing and culture operations and by the development of related processing and marketing activities in conformity with the objectives of its Members”*, and this achieved through a Commission of members who meet every 2 years, an Executive Commission that meets annually and a Secretariat provided and funded through the FAO Regional Office in Bangkok.

APFIC is not an FAO project. The budget for APFIC is provided by the FAO and it does not have an autonomous budget provided by the members. The costs of APFIC are borne by the FAO Regional Programme, although the APFIC members do have some say and influence on the work programme and priority areas.

However, APFIC lacks the fundamental criteria to operate as a RFMO in that it is not bound by a convention area, it does not have a coherent or focused membership based on an economic or geographical grouping- it has a rambling membership covering the continents, and the membership is not bound by any common interest in a stock or management area. APFIC does not have any standing technical committees or an ongoing science program.

The current membership of APFIC includes; Australia, Bangladesh, Cambodia, China, France, India, Indonesia, Japan, Malaysia, Myanmar, Nepal, New Zealand, Pakistan, Philippines, Republic of Korea, Sri Lanka, Timor-Leste, Thailand, United Kingdom, United States of America, Viet Nam.

### **Observations**

There appears to be little that can be drawn from the APFIC experience that would guide the IOTC into the future and in many respects the IOTC and its members are well advanced of the situation of APFIC and its membership. One task that APFIC seems to do well is capacity building with member countries particularly in developing a better understanding of good fisheries management practices, science and compliance. There may be scope for some synergies in this area with the IOTC and potential to share programs and costs.

### **Fisheries Commission of the Eastern and Central Atlantic (CECAF)**

The Fishery Committee for the Eastern Central Atlantic (CECAF) was established in 1967, as an Article VI body of the FAO. The constitution of CECAF was updated in 2003 with FAO Council adopting the changes in October 2003. The area of competence for CECAF is for the coastal; and high-seas waters of the West African coastal states from Cape Spartel, Morocco to the mouth of the Congo River.

CECAF has 34 member states which include the West African states whose waters are part of the Commissions area of competence and also distant water fishing countries and countries with an interest in the area including the EU, Spain and the USA. CECAF is responsible for the small pelagic stocks, artisanal and demersal stocks in this area and the objective of CECAF is to; *“promote the sustainable utilization of the living marine resources within its area of competence by the proper management and development of the fisheries and fishing operations”* and this is achieved through the Committee of CECAF which meets every two years.

CECAF is funded by the FAO who funds projects for the Secretariat on a case by case basis where possible. Extra budgetary funding is provided by donor countries and through international organisations. The Performance Review of CECAF in 2012 highlighted a number of concerns about funding and on its reliance on the FAO.

The following observations were made:

*“According to some of the respondents, the degree of ownership could be enhanced if member countries were to contribute financially with the Committee, even if in a voluntary basis. Others cautioned, however, that this would not be possible at present for many CECAF members. The possibility of some degree of participation by members in the budget of the organization, to be established in a phased manner, however, should be evaluated by the Committee (see Recommendation 6).*

*85. Another means to enhance the sense of ownership could be perhaps an improved Communication between the Secretariat and CECAF members, particularly between meetings, a deficiency that has been pointed out in many responses to the questionnaire.”*

The current membership of CECAF includes; Angola, Benin, Cameroon, Cabo Verde, Dem. Rep. of the Congo, Congo, Côte d'Ivoire, Cuba, Equatorial Guinea, European Union, France, Gabon, Gambia, Ghana, Greece, Guinea, Guinea-Bissau, Italy, Japan, Republic of Korea, Liberia, Mauritania, Morocco, Netherlands, Nigeria, Norway, Poland, Romania, Sao Tome and Principe, Senegal, Sierra Leone, Spain, Togo, United States of America.

## **Observations**

While CECAF remains a large and potentially important RFB, it is not at the level of maturity of the IOTC, and as such much of its operational and management framework does not easily translate to the IOTC. Again with the current membership it is interesting that there seems to be little interest in moving to a self-funding model and this raises the question of why? Is it as the Performance review suggest that some members cannot afford the cost, is it that members believe that the FAO will continue to pay or is it just that there are too many RFBs and RFMOs and members find it hard to justify the costs and membership of the different bodies.

## **Western Central Atlantic Fisheries Commission (WECAFC) (Article VI)**

WECAFC was established in 1973 by the FAO Council under Article VI (1) of the FAO Constitution. The WECAFC agreement was amended by the FAO Council in December 1978 and again in November 2006. WECAFC has 34 member countries and is responsible for fisheries management and development of resources in the Caribbean. WECAFC shares responsibilities for some of these resources with other regional fisheries bodies with significant collaboration between these bodies in research, management and funding.

The general objective of the Commission is to *“promote the effective conservation, management and development of the living marine resources of the area of competence of the Commission, in accordance with the FAO Code of Conduct for Responsible Fisheries, and address common problems of fisheries management and development faced by members of the Commission”*.

At the time of writing this report, the WECAFC is undertaking a similar study to this IOTC one to understand better the issues of remaining with the FAO system or creating an independent organisation. WECAFC budget for 2014-15 biennium was provided through the FAO Regular program and Technical Program and amounted to \$110,000 USD. In addition to this WECAFC members were able to raise some \$9 million USD from partner and donor organisations to progress the work of the agency. Of this funding some \$5.6 million came through Global Environment Fund (GEF) programs.

The membership of WECPFC includes; Antigua and Barbuda, Bahamas, Barbados, Belize, Brazil, Colombia, Cuba, Dominica, Dominican Republic, European Union, France, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Jamaica, Japan, Mexico, Netherlands, Nicaragua, Panama, Republic of Korea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent/Grenadines, Spain, Suriname, Trinidad and Tobago, United Kingdom, United States of America, Boliv Rep of Venezuela.

### **Observations**

This is one RFB that seems to be seriously moving towards an independently supported RFB model. The IOTC members should review the paper currently being prepared by Consultants for the WECAFC members on the costs and benefits of establishing WECAFC as an independent organisations and compare findings with this report.

### **General Fisheries Commission of the Mediterranean (GFCM).**

The GFCM is established under the provisions of Article XIV of the FAO. The GFCM started as a Council in 1952, when the Agreement for its establishment came into force, and became a Commission in 1997. The objective of the GFCM is “*to promote the development, conservation, rational management and best utilization of living marine resources as well as the sustainable development of aquaculture in the Mediterranean, the Black Sea and connecting waters*”. The GFCM has 24 member countries including the European Union. These members contribute to its autonomous budget to finance the functions of the GFCM. The budget for the first year of the new triennium agreed in 2015 was for \$2,359,564 (USD).

The GFCM is mainly responsible for the management of small pelagic and demersal and sedentary stocks in the Mediterranean and Black seas and for the sustainable development of aquaculture and as such has a broad mandate. The Secretariat for the GFCM is located in Rome and has 12 staff.

The Article XIV concerns that are central to the current situation between IOTC and FAO are also issues of concern to the GFCM. The GFCM has concerns with the “project” status attributed to the GFCM, the flexibility in delegating responsibility to Article XIV bodies, recruitment, translation, corporate identity, reporting arrangements and the budgeting and accounting processes. However, the GFCM also recognizes the strengths that go with association as an Article XVI body and these include; the FAO institutional framework, and in particular the assistance to developing countries, FAO support from systems, professional FAO based staff and the regional network, privileges and immunities of the FAO Common system.

The current membership of GFCM includes; Albania, Algeria, Bulgaria, Croatia, Cyprus, European Union, Egypt, France, Greece, Israel, Italy, Japan, Lebanon, Libya, Malta, Monaco, Montenegro, Morocco, Romania, Slovenia, Spain, Syrian Arab Republic, Tunisia, Turkey, with Ukraine and Georgia being cooperating non-members.

### **Observations**

The GFCM’s concerns around being an Article XIV organisation of FAO are not dissimilar to those of the IOTC. Therefore if it gets to the point of having a broader discussion with the FAO on improving Article XIV arrangements and autonomy, including the GFCM in these discussions may well be useful.

### **Conclusions**

These five RFBs are all quite different in scope and in practice to the IOTC. The body closest to the IOTC is the GFCM which interestingly is going through similar considerations about efficiency and effectiveness but without, it seems the same strained relationship with the FAO.

A number of these bodies (RECOFI, CEEFAC and WECAFAC) receive financial support from the FAO through their regional programs or through project support. Both IOTC and GFCM which are more mature in terms of structure and development are stand-alone organisations which are supported by a budget paid for and provided by their member countries. In discussions with the FAO the reason for the ongoing support is that the FAO will support these organisations until they mature to the point that they can be self-supporting and as they mature and have a greater member financial support the level of FAO support can be withdrawn. The FAO indicates that encouragement is being given to the members of these organisations to increase the level of member financial support.

The IOTC may benefit from the current WECAFAC study and as noted if there is a broader discussion with the FAO on flexibility in the Article XIV arrangements including some of these RFBs in the discussion may be helpful.

In researching these organisations a very good FAO Paper came to light from 1997; FAO Fisheries Circular No. 916 FIPL/C916 “The Role of FAO Regional Fishery Bodies in Conservation and Management of Fisheries”.

The paper makes the following observation *“Of the present FAO regional fishery bodies, some are potentially management bodies and are ready to undertake management functions either as independent fisheries management organizations or as management bodies operating under Article XIV of the FAO Constitution (IOTC model). These are GFCM, CEEFAC, the Gulfs Committee of IOFC and APFIC Committee on Marine Fisheries.”*

Even at that point in time the IOTC was seen as an advanced model and research today shows that this is still the case. While these are good organisations in their own right the IOTC is more aligned to the other four tRFMOs than to the traditional FAO RFBs and as such in moving forward there may be more lessons to be learned in looking in more detail at the success of the tRFMOs.

### 3 Other bodies listed in Annex I of the ToR

The bodies listed under Annex I included:

- International Social Security Association (ISSA)
- International Union for the Protection of New varieties of Plants (UPOV)
- International Agency for Research on Cancer (IARC)
- Translation Services (STOP), (STAR) and (STAN); and
- Intergovernmental Panel on Climate Change (IPCC)

#### **The International Social Security Association. (ISSA)**

The ISSA is an international organisation created under the auspices of the International Labor Organisation (ILO) in 1927. The organisation now has 340 member organisations from 217 countries and territories and has its headquarters in Geneva Switzerland. While the ISSA was established under the auspices of the ILO, and they are headquartered together in Geneva, it is of a size and mandate that allows it to operate largely as a separate organisation. In *“The ISSA is accorded General Category consultative status by the United Nations Economic and Social Council (ECOSOC)[2]. This accreditation by the United Nations has been given in recognition of the fact that the ISSA's work conforms to the spirit, charter and principles of the UN [3]. The privileges that come with this title afford to the ISSA the right to attend, and contribute in a substantive manner to, UN General Assembly special sessions, as well as international conferences called by the UN and other intergovernmental bodies.”*

In 2012 the ISSA and the ILO signed their first ever Memorandum of Understanding (MoU) in order to deliver improved services to the members of both agencies through collaboration and sharing. *“Based on the specific mandate and competency of each organization, the MoU focuses on the positive complementarities that can be achieved through improved collaboration in a partnership relationship. Positively, the implementation of the MoU will allow both the ISSA and the ILO to provide a broader range of relevant and quality services including knowledge, advice and platforms as regards both policy questions and administrative processes, primarily related to the question of extension of social security coverage. Ultimately, it will ensure a greater impact of the work of both the ISSA and the ILO on social security development worldwide.”*

The main organs of the ISSA are the General Assembly that consists of delegates appointed by member organizations who meet every three years and the Council that meets at each session of the General Assembly and comprises a delegate from each country. The Bureau meets twice annually and provides day to day direction to the ISSA and comprises the President, Treasurer, Secretary General and elected representatives of the four geographical regions. The Secretary General manages the Secretariat of the ISSA which is based in Geneva and delivers the program of work of the ISSA Council and Bureau. Since its creation, the ISSA Secretariat has been based at the ILO headquarters, and has worked closely with the ILO in the development of social security.

The conditions of employment at the ISSA follow those of the ILO and the United Nations remuneration system. As part of this study the ISSA and the Australian organisations that are members of the ISSA and the ISSA were contacted to provide information on the ISSA budget and Secretarial arrangements. However, no further information was available from Australian sources and the ISSA responded as follows: *“Thank you for your interest in the activities of the International Social Security Association (ISSA). However, I wish to inform you that due to the large number of requests we receive, it is only possible for us to reply to members of the ISSA.”*

## **Observations**

The staff conditions of service in the ISSA are those applying to the staff of the ILO and consistent with the UN Common System. This is a very large organisation with some 217 countries and territories that has been in existence since 1927. The scope and mandate of the ISSA are international and its purview of importance to governments and the international community. The scope and size of this organisation is a magnitude larger than the IOTC. While it is useful to compare the structure and governance of an organisation of this size and global reach to the future structure of the IOTC, it is difficult to see how the two organisations can be compared.

## **The International Union for the Protection of New Varieties of Plants (UPOV)**

UPOV was established under the auspices of the World Intellectual Property Organisation (WIPO) by the adoption of the International Convention for the Protection of new Varieties of Plants in 1961 and came into force in 1968. In a somewhat unique arrangement the Secretary General of the WIPO is also the titular head of the UPOV, but with the day to day operational responsibilities and management undertaken by the Deputy Director General of UPOV. The organisations (WIPO and UPOV) are headquartered together in Geneva Switzerland. Today UPOV has 74 member countries and the Convention is applied in 91 countries. UPOV has legal personality.

WIPO is a Specialized Agency of the United Nations and in 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and the WIPO. Under this Agreement, *“the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. The Vice Secretary-General is responsible for the delivery of the results indicated in the approved program and budget. Under the Agreement, WIPO satisfies the requirements of UPOV with regard to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV”.*

Further the UPOV website provides the following information: *“UPOV is funded by contributions and extra budgetary funds (funds in trust) from members of the Union. UPOV operates within the framework of a biennial program and budget. The proposed program and budget covers estimates for income and expenditure for the financial period to which it relates. It is submitted by the Secretary-General to the Consultative Committee for discussion, comments and recommendations, including possible amendments. The Council adopts the program and budget after consideration of the proposed program and budget and the recommendations of the Consultative Committee.”*

Members of UPOV are members of the Union. There are two permanent organs of UPOV; the Council (members of the Union) and the Office of the Union (Secretariat). The Office of the Union has 11 staff and the Secretary General is paid by the WIPO and does not take any salary for his role in UPOV. UPOV's 2014 budget was 3,396,977 Swiss francs or \$3,426,669 USD. The funds are managed through a trust fund. The staff salaries, entitlements and conditions and service are closely aligned to those currently enjoyed by members of the IOTC including UN (WIPO) salaries, access to the UNJSPF, after service health care (ASHC). The UPOV budget is an accrual budget that adheres in its preparation to the International Public Service Accounting Standards (IPSAS) system of reporting. Under the 1982 UPOV/WIPO Agreement, WIPO provides the accommodation and services to UPOV and these costs are recovered at an agreed rate.

### **Observations**

UPOV seems to be a very similarly structured organisation to the IOTC except that it has legal personality and enjoys an excellent working relationship with its parent organisation. WIPO and UPOV obviously operate very professionally and effectively as joint but separate agencies. The relationship seems to be well established, mature and well understood between the parties and the role of the Secretary General as head of both organisations no doubt helps in this process. However, on review it would suggest that the level of professionalism and maturity of staff on both sides must also play a significant role in the success of these two well regarded organisations enjoy in working together.

### **The International Agency for Research on Cancer (IRAC)**

The International Agency for Research on Cancer was established in May, 1965, through a resolution of the XVIIIth World Health Assembly, as an extension of the World Health Organization (WHO). The objective of the International Agency for Research on Cancer is to: *“promote international collaboration in cancer research. The Agency shall serve as a means through which Participating States and the World Health Organization, in liaison with the International Union Against Cancer and other interested international organizations, may cooperate in the stimulation and support of all phases of research related to the problem of cancer”*.

IRAC importantly is governed by its own governing bodies, the IARC Governing Council (GC) and the IARC Scientific Council (SC). *“IARC's general policy is directed by a Governing Council, composed of the Representatives of Participating States and of the Director-General of the World Health Organization. The IRAC research programme is reviewed by a Scientific Council. The Governing Council elects IARC's Director, who normally serves for a five-year term.”* The Governing Council of IRAC meets every year in ordinary session the week prior to the WHO World Health Assembly.

Members of the Scientific Council are appointed as experts and not as representatives of Participating States. The role or purpose of the Scientific Council is to make periodical evaluations of IARC's activities, to make recommendations on the programme of permanent activities and to prepare special projects to be submitted to the Governing Council.

The IRAC programme is supported by a Secretariat which is the administrative and technical organ of the Agency. The Secretariat is under the leadership of the Director and consists of technical and administrative staff. The Director of IARC is elected by, and reports to, the Governing Council. The Director oversees the day-to-day operation of the Agency. Today IRAC has 25 member countries and draws its 300 staff from more than 50 different countries.

The activities of IRAC are mainly funded by the regular budget contributions paid by member states. The regular budget for the 2016-2017 biennium was approved in May 2015 at a level of €43 413 599 or \$47,413,762 USD. In addition to the regular budget IRAC attracts substantial extra budgetary funding and this allows for grants to be made roughly at a value of one third of IRAC's overall budget. The budget covers all support services including; administrative services, budget and finance, human resources, grants office, information technology in addition to clerical, technical and laboratory expertise.

The staff of the IRAC is appointed as staff of the WHO and as such enjoys the general conditions of service and entitlements accorded to staff in UN agencies including access to the UNJSPF and the WHO Staff Health Insurance Scheme as part of the UN Common System. The funds and assets of the Agency are treated as trust funds under Article VI (6.6 and 6.7) of the Financial Regulations of the World Health Organization. These funds are managed and administered by the Director of IRAC and are accounted for separately from the funds and assets of the World Health Organization and administered in accordance with the financial regulations adopted by the Governing Council.

### **Observations**

This large organisation is global in its mandate and deals with an issue that has global reach and importance. IRAC from its beginning has enjoyed support from the highest levels of government and has been constituted as an extension of the WHO and not separate to it. However within the WHO system it operates as a separate but linked body. The organisations seem to work well together and the WHO Director General is an integral part of the IRAC construct.

The staff of IRAC through the WHO enjoys access to the salaries and conditions accorded to staff within the UN Common System and as such align well with those salaries and entitlements that accrue to IOTC staff as part of the FAO.

It is difficult to see how the business model of the IRAC could be applied to the current FAO/IOTC situation as it would seem to have been constructed to fit the WHO/IRAC situation at a point in time. The global reach and mandate and the level of funding of this organisation is quite different to the IOTC. The IRAC as such it enjoys a far higher level of political support and attention globally. What appears obvious however, is the professional relationship that these two bodies enjoy that concentrates on the bigger picture of the task at hand and the importance of their mandates and not on the ongoing operational issues that cause difficulties for the IOTC and the FAO.

### **Universal Postal Union (UPU) Translational Services (STOP, STAN and STAR)**

Information on the English Translations Service (STAN) is available through the UPU website and the main aspects of it are outlined below. No information could be found on STOP and STAR with the only reference on STAR being to the UPU Global Satellite Management System which is not appropriate to this study.

The UPU became a specialized agency of the United Nations (UN) on 1 July 1948 and *“contributes to the development of UN policies and activities that have a direct link with its mandate and missions to promote social*

*and economic development*". The UPU works collaboratively and on joint projects and initiatives with other UN specialized agencies. French is the official language of the UPU. English was added as a working language in 1994, and these days the majority of the UPU's documents and publications are available in the UN official languages.

The three key organs of the UPU are the Union made up of members that meets as a Congress, the International Bureau, and the Postal Technology Centre. The Secretariat, which is part of the International Bureau is the UPU's headquarters and is located in Berne (Switzerland). It has a staff of about 250 employees drawn from about 50 different countries. *"The Bureau provides logistical and technical support to the UPU's bodies. It serves as an office of liaison, information and consultation, and promotes technical cooperation among Union members. In recent years, the International Bureau has taken on a stronger leadership role in certain activities. These include the application of postal technology through its Postal Technology Centre, the development of postal markets through potential growth areas such as direct mail and EMS, and the monitoring of quality of service on a global scale."* The UPU through the Postal Technology Centre has established a number of regional support centres in different parts of the world to support its information technology activities.

The budget for the UPU is agreed by the Union and managed by the Bureau with the expenses financed jointly by the member countries, based on an agreed contribution system. Since 1992, UPU has followed the practice of "zero growth", maintaining its annual budget at or below the level of inflation. The organization has an annual budget amounting to approximately 37 million Swiss francs or \$37.246 million USD. This zero growth budget is however supplemented by extra budgetary funding that in 2011 was running at around \$17.2 million USD annually.

The employee benefits that accrue to all staff including the STAN staff are recorded as follows:

- *"Short-term employee benefits including salary and other allowances, assignment grants, education grants for dependent children, paid annual leave, paid sick leave and medical and accident insurance.*
- *Post-employment benefits including separation benefits (repatriation grants, repatriation travel and shipment of personal effects), disability benefits, survivor's insurance, supplementary benefits for elected officials and death benefits.*
- *Defined benefit plans including the Provident Scheme and after-service health insurance (ASHI).*
- *Termination benefits including an indemnity payable to staff members holding permanent or fixed-term contracts whose appointment is terminated by the Union prior to the end of their contract."*

The defined benefit plans of the UPU are described in full in their Financial Report to Congress in 2011 (*Congress–Doc 35.Add 1. Annex 1*) and the description is included in full as it provides for IOTC members clarity on how the schemes actually work.

The Union operates two defined benefit plans providing pension and ASHI benefits as follows:

*"– Provident Scheme:* The Provident scheme of the Universal Postal Union provides retirement, death, disability and related benefits for the staff of the UPU International Bureau and staff of the translation services (who are employed on the same basis as other IB staff). The Scheme is organized as a foundation within the meaning of articles 80 et seq. of the Swiss Civil Code, and comes under the supervision of *Amt Für Sozialversicherung und Stiftungsaufsicht des Kantons Berne*. It is audited by the External Auditor appointed by the Government of the Swiss Confederation. The Scheme's administration costs incurred by the UPU Secretariat are borne by the Union. The costs of remunerating the actuary and investing funds in connection with the Scheme are borne by the Scheme itself.

The Provident Scheme consists of a Provident Fund and a Pension Fund, administered separately by a Management Board consisting of the Chairman of the CA, the Director General of the International Bureau, and a staff member designated by the active participants. The Pension Fund is a closed fund providing retirement and disability benefits to those persons who were members of the Provident Scheme at 31 December 1963. All

other staff and retirees are covered by the Provident Fund. Both staff members and the UPU make contributions. At present, each staff member pays 8.8% and the UPU pays 17.6% of their pensionable remuneration. The UPU is responsible for any unfunded liability.

– *After-service health insurance (ASHI)*: The Union also has a contractual obligation to provide after service medical benefits to its staff members in the form of insurance premiums for the medical and accident insurance plan. The present value of the defined benefit obligations for this insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows using a discount rate based upon both CHF high-grade corporate and Swiss Government bonds. The plan is unfunded and no assets are held in a long-term employee benefits fund. Retiring staff members and their spouses, dependent children and survivors are eligible for ASHI coverage if they continue to participate in the scheme after separation from service. In accordance with the Union's Staff Regulations and Rules, a share of 50% of the monthly medical insurance premium, including coverage for spouses and dependent children, is paid by the Union. Actuarial valuations are prepared annually for the Provident Scheme and after-service health insurance using the projected unit credit method. The latest actuarial valuations were prepared as at 31 December 2011.”

### **English Language Translation Service (STAN)**

According to UPU documents, *“The English Language Group of the UPU is an autonomous body that employs the staff of the English Translation Service of the International Bureau of the Union. Under Article 2(2) of the Regulations of the English Translation Service the Management Committee of the Service or its chairman acts as the Group's "spokesman". Article 5(1) provides that the Union's "International Bureau shall, in its capacity as authorized agent of the [Group], ensure the operation and administration of the [Service] on the basis of the provisions of the Union's Acts and of the decisions taken by the Executive Council and by the [Service's] Management Committee or its Chairman". Under Article 7 the staff of the Service "has the same status as international civil servants and the same conditions of service as staff members of the UPU International Bureau ...".”*

Decisions taken on the performance, staffing and budget for STAN are decided by the English Translations Service (STAN) Management Committee. In the 2013 report of the minutes of the Management Committee STAN was recorded as having four (4) full time staff and utilized contract staff to cover services during busy periods.

As can be seen above STAN staff are accorded all the staff conditions and services accorded to other staff in the International Bureau and these appear to be broadly consistent with the UN Common System. However, instead of being members of the UNJSPF, staff of the UPU including those of STAN have access for pensions to the UPU Provident Fund and can contribute to health insurance at a discount rate of 50% for after service health care.

### **Observations**

The conditions and benefits that accrue to STAN staff are the same as those available to UPU staff and are consistent with the broader UN system as UPU is a UN body. The UPU was established in 1948 and as such would have developed at or around the same time as the UN itself and the FAO. The UPU provides pensions through its Provident fund and after service health care and its size and budget would allow it to do this.

From what can be determined, the service for translation STAN is a very small part of the overall UPU business. UPU has an annual budget and extra budgetary funds of some \$55,400,000 USD annually and it can be assumed that no charges are levied on the STAN for accommodation and costs as it is such a small part of the overall budget.

It is difficult to compare STAN (four staff) as part of the UPU (250) and an annual budget of some \$54 million USD to the IOTC situation. Again the magnitude of the parent organisation and its importance globally

no doubt helps it attract significant funding. What is consistent though is that the staff salary and conditions are consistent with the UN Common system.

### **The International Panel on Climate Change (IPCC)**

The Intergovernmental Panel on Climate Change (IPCC) was established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) in 1988. The IPCC is a scientific body under the auspices of the United Nations (UN). The role of the IPCC is “*to provide the world with a clear scientific view on the current state of knowledge in climate change and its potential environmental and socio-economic impacts*”. The IPCC is located in Geneva Switzerland at the WMO headquarters. The IPCC is administered in accordance to UNEP, WMO and UN rules and procedures, including codes of conduct and ethical principles (including UN Ethics, WMO Ethics Function, Staff Regulations and 2012/07-Retaliation). The IPCC is an intergovernmental body. It is open to all member countries of the United Nations (UN) and WMO. Currently 195 countries are Members of the IPCC.

The IPCC reviews and assesses the most recent scientific, technical and socio-economic information produced worldwide relevant to the understanding of climate change. It does not conduct any research nor does it monitor climate related data or parameters. The work of the IPCC is contributed by scientists from all over the world on a voluntary basis and as such a review of this research is an essential part of the IPCC process, to ensure an objective and complete assessment of current information.

The IPCC through the Panel takes major decisions at Plenary Sessions attended by government representatives. The IPCC has a Secretariat and 13 staff and a budget of around \$7.5 million annually.

The staff of the IPCC are engaged under the conditions applicable to the WMO and are on WMO contracts and the conditions and contracts are consistent with those applied to other UN based organisations. In this case the staff are covered for pensions under the UNJSPF and their health coverage is under the WMO Health Insurance scheme.

Following a proposal of the IPCC first session in November 1988, an IPCC Trust Fund was established in 1989 by the Executive Director of the UNEP and the Secretary-General of World Meteorological Organization (WMO). The IPCC Trust Fund is refreshed by member contributions in line with a budget agreed by the Panel. The trust Fund finances the Panel and its activities. The IPCC Trust Fund is administered, by mutual agreement between the WMO and the UNEP under the Financial Regulations of the WMO, consistent with the International Public Sector Accounting Standards (IPSAS) the responsibility and accountability for financial reporting on the IPCC Trust Fund resides with the IPCC itself.

Article I of the Memorandum of Agreement with UNEP and WMO (1988) “*no administrative support charges shall be imposed by WMO on any expenditure incurred by the trust fund*”. As such, WMO does not appear to charge IPCC for the operational costs, but rather for agreed additional or incremental costs. These additional or incremental costs of administrative services which are provided by WMO to IPCC are agreed between WMO and UNEP in the form of a separate Memorandum of Agreement signed in 1989. (*attachment 5*)

The 1989 MOA is supported by an annex which outlines the initial funds to be paid and the financial relations and reads as follows:

MEMORANDUM  
OF AGREEMENT  
FP/4102-01-2011

This Memorandum of Agreement (MOA) is concluded between the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) of 41, Avenue Giuseppe-Motta, Case Postale No. 5, CH-1211 Geneva 20, Switzerland. Whereas UNEP and WMO signed a Memorandum of Understanding on the 19th of April 1989 in which they agree to support financially the Secretariat of the Intergovernmental Panel on Climate Change (IPCC).

1. Under this agreement, UNEP will provide a contribution to support the activities of the Secretariat and the Panel in its first two years. It is agreed that the contribution shall be paid as two equal annual lump sums into a trust fund established and administered by WMO for the purpose of financing the Panel and its activities. It being understood that no administrative support charges shall be imposed by WMO on any expenditure incurred by the trust fund.
2. Activities, outputs and budget for the trust fund as a whole are outlined in the Annex to this MOA.
3. UNEP will make a convertible cash contribution to the IPCC over the two-year period equal to SFR. 250,000 and SFR. 100,000 equivalent in non-convertible roubles distributed equally over the two years.
4. WMO will provide SFR. 125,000 each year, office accommodation for the Secretariat and administrative support towards the cost of the IPCC.
5. WMO shall be permitted to charge the convertible currency cost incurred under this MOA under the global advance for UNEP activities undertaken by WMO. UNEP will arrange through UNEPCOM and the Centre for International Projects for all activities undertaken in USSR to be financed out of its rouble contribution.
6. WMO will account for all expenditures incurred by the trust fund annually together with yearly statements of expenditure for all other UNEP projects.
7. It shall be understood that expenses shall be charged in the first instance to voluntary contributions of governments and only when sufficient funds are not available will the contributions of UNEP and WMO be utilized in equal proportions.

## Observations

In reviewing the IPCC it is again evident that the global scope and mandate of this organisation accords it political support and flexibility far beyond that which can be accorded to the IOTC. That is not to say that the business model is not of interest to this report. The current arrangements are very clearly established by the WMO and the UNEP, two large professional organisations, committed to the success of the IPCC and with a relationship underpinned by a MoA. The MoA between the parties is attached in full with the annexes as it provides clarity between the parties on expectations and costs and was agreed from the outset and does not appear to have varied over time.

The staff salaries and conditions are consistent with the UN Common System and as such similar to the IOTC. IPSAS applies and internal audit is provided by the WMO and external audit is outsourced to the Government Audit office in a member country.

Due to the international importance and public scrutiny of the work of this program and its currency to world events it will continue to attract funding, coverage and support into the foreseeable future. The strength of the organisation is in the professional way it co-ordinates and reviews work placed before it by numerous scientists.

The other observations to be made is the professionalism and support these organisations provide to each other and a sense that they work together to ensure that the relationship works for the greater good.

## Conclusions

All of these bodies have a number of attributes in common with each other that are different to the IOTC and FAO situation;

- All of the bodies are international
- All have substantial mandates of interest to their member countries and the international community
- All these agencies have substantial memberships and/or budgets.
- All appear to be bodies more in partnership and harmony with their parent organisations and with mature relationships.
- A number of these bodies have legal personality

Where there are similarities are with the UN Common system that applies to staff in the IOTC as it is structured today.

In moving forward there may be lessons in looking at these five organisations to improve the IOTC:

- The maturity and professionalism of the relationship between the parties. They seem to relate well and get on with meeting their mandate and not arguing about their relationship.
- Some have clear MoA based arrangements about costs and support that are renewed regularly.
- There is a sense in looking at these organisations that they want the arrangements to work and they work together to that end in a flexible way.

## 2 Tuna RFMOs (tRFMOs)

In reviewing the tRFMOs the focus of this section is on trying to compare the costs of operating the individual RFMOs to see if there is a model that is inherently cheaper than any other. In terms of staff salary and conditions the *total salary package* has been estimated and not the base level of salary which does not really reflect the real cost of having a person on the ground in an RFMO. ICCAT figures have been included but it should be noted that their budget is aggregated in a different format to the other Commission and as such cannot be fairly compared except in a very broad aggregation.

There are five tuna Regional Fisheries Management Organisations (tRFMOs):

- the Indian Ocean Tuna Commission (IOTC);
- the Commission for the Conservation of Southern Bluefin Tuna (CCSBT);
- the International Commission for the Conservation of Atlantic Tuna (ICCAT),
- the Inter American Tropical Tuna Commission (IATTC) and
- the Western and Central Pacific Fisheries Commission (WCPFC).

With the exception of the IOTC all of these are autonomous bodies, some created prior to the adoption of the UN Law of the Sea Convention (UNCLOS), all with similar conventions and mandates and all have established working relationships with the FAO.

**Table I: Characteristics of tRFMOs**

tRFMO	% of world tuna catch	No of Members	No of CNMs	No of staff	Total budget
IATTC	13%	21	4	45	\$9,746,240+
ICCAT	10%	50	4	26	\$3,808,091*
CCSBT	Less than 1%	7*	2	7	\$1,732,885#
IOTC	20%	28	3	15	\$3,066,995

WCPFC	58%	26	15#	23	\$7,345,178
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+This amount includes the funds recovered from industry utilized to support the AIDCP and Observer program. The IATTC staff numbers do not include the staff in the Field offices, observers or the Achotines Laboratory

\*CCSBT membership is for the extended Commission

#WCPFC CNMs includes Participating Territories

\*Converted at UN rates 31 Dec 2014 (.82)

#Converted at UN Rates Dec 2014 (1.22)

Of the five tRFMOs, FAO salaries and staff conditions apply in three of them (CCSBT, ICCAT and IOTC), the WCPFC is the latest of the tRFMOs to be established and the salary and conditions of the Executive Director are loosely equivalent to an FAO DI level. The staff of the WCPFC are paid on a salary and conditions scale which was developed using the Council of Regional Organisations in the Pacific (CROP) classifications and conditions whilst general services staff are paid on a locally developed salary scale appropriate for FSM based staff.

IATTC was established in 1949 and as such many of the staff classifications and salaries and conditions were developed at a time when the FAO was developing and well before many of the other UN agencies existed. The IATTC staff are hired and paid based upon the U.S. Office of Personnel Management General Schedule (GS) conditions and classifications. The scientific staff are paid at levels commensurate to their positions, and for example, Senior Scientists are paid at a GS 12 or above; Associate Scientists are paid between a GS 9 and GS 11; and Assistant Scientists are paid between a GS 5 and GS 7. These staff payments include an annual increase, calculated by the US government, to cover the estimated cost of living increase (COLA). These tables can be located at: <http://www.opm.gov/oca/I2tables/indexGS.asp>

Table 2 below collates the total salaries and allowances for professional and general service tRFMO staff to illustrate variances. ICCAT staff cannot be broken down by classification as their budget reporting is different to that of the other tRFMOs. However, the gross ICCAT figures from both of the Chapters that include salaries and staff conditions (Chapter I and 8) are included in a separate column for your information. Table 3 then provides the same breakdown and comparison for all other costs.

With both these table readers should be aware that it is difficult to get an accurate comparison as budgeting is different and the tRFMOs perform and budget for different tasks i.e. WCPFC contracts out its science and data entry and as such, these tables and the figures they contain should be treated with caution. However, the gross figures and characteristics do provide a guide and comparison to staff and to operational costs.

**Table 2: tRFMO Administrative Cost for staff salary and benefits in USD**

Item	IOTC	CCSBT conv@1.22	IATTC	WCPFC	ICCAT conv@.82
1) No of Prof Staff	9	4	28	10	16 Chapter I staff
2) Prof Staff salary costs total	785,214	413,881	3,050,321	964,822	Inclusive of benefits see below
<b>Average cost</b>	<b>87,246</b>	<b>103,470</b>	<b>108,940</b>	<b>96,482</b>	<b>N/A</b>
3) Prof Staff benefit and conditions costs	1,249,465	162,737	735,260	1,249,735	Total costs 1,535,103
<b>Average cost</b>	<b>138,829</b>	<b>40,684</b>	<b>26,259</b>	<b>124,973</b>	<b>N/A</b>
<b>Total</b>	<b>226,075</b>	<b>144,154</b>	<b>135,199</b>	<b>221,455</b>	<b>95,943</b>
4) No General Service/Local staff	6	3	17	13	10 Chapter 8 staff

5) General service staff salary costs	63,350	79,813	929,375	287,555	Included below as all up costs
<b>Average</b>	<b>10,558</b>	<b>26,604</b>	<b>54,669</b>	<b>22,119</b>	
6) General service staff benefit costs	82,569	18,035	328,360	65,925	1,105,818
<b>Average</b>	<b>13,671</b>	<b>6,011</b>	<b>19,315</b>	<b>5,071</b>	
<b>Total</b>	<b>24,229</b>	<b>32,615</b>	<b>73,984</b>	<b>27,190</b>	<b>110,581</b>
Total staff (1+4)	15	7	45	23	26
Total costs (2+3+5+6)	2,180,598	674,466	5,043,313	2,568,037	2,640,920
Average all staff	145,373	96,353	112,073	116,653	101,573

**Notes:** 1) ICCAT staff costs are under Chapter 1 and Chapter 8 of the ICCAT budget. There is no distinction between professional and general service staff and the costs are inclusive of entitlements and salary. As such the only ICCAT comparison that could be made was by comparing the gross payments and dividing by the number of staff which is not particularly helpful. 2) WCPFC contracts out science and some data entry as such these costs are not included 3) CCSBT GS staff are not all full time 4) IATTC costs reflect employing staff in the US on US conditions and AIDCP5) IOTC salaries slightly higher as they have a greater ratio of professional to local staff and high location costs

**Table 3: Operating costs for tRFMOs (USD)**

Cost item	IOTC	CCSBT	ICCAT	IATTC	WCPFC
Included extra budgetary costs		conv@1.22	conv @.82		
Travel	181,471	67,868	182,801	487,261	210,000
General operating expenses	98,885	112,377	244,696	517,523	336,530
Capital expenditure	15,775		49,003		82,200
Maintenance	0	0	46,199		234,200
Meeting expenses	249,018	484,606	475,118		582,500
Science and research program costs	55,500 (capacity blg)	191,229	617,502	3,228,362	1,254,200
Technical and compliance service costs	55,500 (capacity blg)				1,899,629
Consultants /Reviews/ misc etc	102,000 60,000 (MPF)	143,442	8,490	12,777	142,000
FAO Project Service Costs	132,937				
ICRU	124,036				
<b>Total</b>	<b>1,075,122</b>	<b>999,524</b>	<b>1,633,957</b>	<b>4,245,923</b>	<b>3,153,829</b>

### What conclusions can be drawn for these tables?

Caution needs to be exercised when comparing these figures for the reasons mentioned above that they don't compare easily across the Commissions. However, some comparisons may be drawn.

### Staff

- The general costs of staff across the Commissions is fairly similar when one takes into account the ratio of professional to general service staff and the cost of supporting staff in the two remote island locations Pohnpei FSM and Victoria, Seychelles.
- For both IOTC and WCPFC the cost of accommodation for staff (rent), education allowances and staff travel is high and higher in the IOTC that allows business class travel for staff reunion fares.
- The WCPFC and IOTC staff costs would be on average very similar if one adds in the costs of a stock assessment science staff to the WCPFC budget.
- Only the staff of the IOTC benefit from the UN Joint Staff Pension Fund. Staff in the other tRFMOs contribute either to selected private funds or contribute to their own private funds.

### **Operational and other costs**

- The quantum of these costs varies depending on location and the Headquarters agreement with the host country. In this area the IOTC is very well served as the Seychelles government picks up the Headquarters cost and maintenance costs and also provides an IT staff member to the IOTC.
- WCPFC has a large maintenance cost for its compound and staff housing in its budget.
- Those tRFMOs who invest in large science, observer and tagging programs have higher immediate budgets in these areas. However regardless of whether the IOTC stays with the FAO or becomes independent the magnitude and the cost of its science program is determined by members and is funded through the IOTC budget similar to the other tRFMOs.

### **Other observations**

- The two tRFMOs that should be compared are the IOTC and the WCPFC as they have similar characteristics and locational issues. When you compare their costs they are similar.
- There seems to be little difference in the actual operation of the IOTC to the other tRFMOs.
- RFB's and RFMOs can and do run w a greater or lesser degree efficiently and effectively as Article XIV bodies or as autonomous bodies and there is no evidence or studies that indicate that one structure is intrinsically better than the other. All of the RFB's work to a greater or lesser degree, depending largely on the alignment of:
  - Adequate coverage of all fishing and coastal states and entities,
  - Well-constructed and implementable rules, regulations and conservation measures
  - A strong innovative and proactive science base supported by good and timely data
  - Effective monitoring of their implementation,
  - Good administrative and staffing rules,
  - Committed and well led Secretariat staff and;
  - Committed and progressive delegates who understand the business they are trying to manage, and who can put "common good" outcomes for the fishery ahead of self-interest.

All of the tRFMOs operate largely in the same manner and deal with similar membership and issues they are in this way remarkably similar. The fact that the IOTC is an Article XIV body should not in itself impact on its effectiveness and efficiency.

## Chapter 6: Option I: Cost and Benefits of continuing as an Article XIV Body of the FAO.

The current cost structure of the IOTC is included in the budget documents for the IOTC. The budget is agreed by the members of the IOTC and is funded by contributions made by members to an agreed cost attribution formula. The overall budget for any given year can also be enhanced by extra budgetary contributions and these are normally made by members to fund specific projects of priority interest to member countries. These extra budgetary projects are managed by the Commission staff and often undertaken by contractors or consultants (*attachment 6 2014 IOTC Budget*).

### 6.I Costs: the budget costs explained

To explain the costs in the current budget one needs to break them down into a number of well understood budget categories: These categories are somewhat different to the groups used in the ToR, as you will see below the FAO charges to the IOTC are aggregated to cover a number of costs centres and in the case of benefits and allowances it is aggregated and then averaged as such it is not possible to view budget line items at a micro level. However, comparative costs have been able to be drawn from these figures that can inform this study.

- Administrative Expenditure
  - Professional Salaries
  - General Services Salaries
  - Benefits and Allowances
- Operating Expenditures
- Extra –budgetary funding
- Services Provided by FAO

To help understand the relationship between the IOTC and the FAO for administrative and personnel management systems tasks, a table of these tasks has been prepared and is (*attachment 7*).

### I Administrative Expenditure

#### Professional Salaries

The professional salaries paid to the staff at the IOTC are the same as salaries paid to staff throughout the FAO and are therefore consistent with the salaries and conditions paid under the UN Common system. These salaries are matched to positions and the grade of the position as determined by the IOTC and the FAO prior to the position being advertised (job sizing). The reason for this is so that positions at equal levels and with equivalent responsibilities and tasks are rewarded equally throughout the UN system. As noted previously two other tRFMOs use this same system of salaries and classifications within their organisations to set base salaries. The IATTC is a very old Commission and the salaries in that organisation are set utilizing U.S. Office of Personnel Management General Schedule (GS) conditions and classifications. The WCPFC system compliments the situation in the Pacific, with the Executive Directors salary equivalent to an FAO DI level and the professional staff paid on a salary and conditions scale which was developed using the Council of Regional Organisations in the Pacific (CROP) classifications and conditions.

General Service salaries are paid to locally recruited staff who do not hold professional positions. These include clerical staff and administrative office support staff. The General Service (GS) salaries for IOTC staff are taken from the UN Common system where the UN surveys countries and regions and sets the base for GS salary payments.

Table 2 above is useful in considering salaries, as the difference in the range for the basic salary component between the four tRFMOs who have comparable budgets. The base salary is from \$87,246 (IOTC) to \$108,980 (IATTC). As such the IOTC base salaries are at the lower end of the scale and would appear to be within the bounds of acceptable costs. However, IATTC salaries are taxed.

### **Staff Benefits and Allowances**

The various benefits and conditions form an important component of all Professional and General Service salaries in the UN Common system. The basic principles of the benefits and allowances package are accepted by all the tRFMOs however, the concepts are applied in different ways that best meet the locations and circumstances of each individual RFMO. FAO Finance Committee paper FC 108/11(b) is (*attachment 8*) as it provides an excellent overview of what these benefits are and how they are applied in the FAO system.

Basic or net salaries paid to married officers or officers with partners and children are at a higher rate than those paid to single officers. This benefit is an artefact of the UN Common system and is considered as dependency benefits (D for those with dependents) and (S for those without) and impacts the base salary level paid to staff and also the level at which other benefits and allowances are paid.

The major components of benefits and allowance include, post adjustment, dependency benefits paid for spouse and children, assignment and relocation costs for new and existing staff, rental subsidies, education grants, security costs, travel for home leave and education, health, insurance and medical coverage. Table 2 shows that for the four tRFMOs with comparable budgets the range of the average for benefits and allowance is from \$26,259 (IATTC) to \$138,829 (IOTC). The two tRFMOs that can be closely and more accurately compared, the WCPFC and the IOTC had very similar costs (\$124,973 vs \$138,829) and the variation probably reflects the mix of married and single staff at the time and the cost of rent for staff at Commission headquarters.

Commonly the main components of the benefits and allowances paid to staff as part of their salary package includes the cost of living adjust or post adjustment that is a formula that balances out the salaries paid in each location with those paid in New York so that the actual or purchasing power of the salary is the same in Victoria, Seychelles, as it is in New York. Rental subsidies under the FAO/UN system are paid on a sliding scale over a three year period to compensate staff for the cost of housing in these new locations. The FAO based systems have a common formula for this, however, in other tRFMOs the amounts paid and the period of payment varies with the WCPFC renting the houses and carrying the liability to ensure that it has suitable housing for staff.

The pension and health costs for the IOTC staff paid to the UNJSPF and to the FAO health system are recorded as a joint line item. In the 2014 budget the cost was \$303,874 of which \$75,500 was contributed to health cover and \$228,374 to the UNJSPF.

The IOTC budget contains costs for rental subsidies and this is recorded under the line item "*Employer Contributions to the FAO Entitlement Fund*". This line item includes the rental subsidy and the Benefits at Standard (BaS) costs and in total for 2014 this cost was \$545,955. The rental subsidy component was \$132,500 and the BaS cost was \$414,451.

The discussion or concern amongst IOTC members does not seem to be about the level of salaries and conditions paid to members but more about how the FAO charges the FAO project under a cost called Benefits at Standard (BaS). As pointed out above some costs are directly attributable and as such are charged at actual costs and this includes rental subsidies, health and pension costs, which are a fixed percentage of the basic salary. Other costs are not easy to attribute directly are averaged by classification and hence the charge Benefits at Standard or (BaS).

## Benefits at Standard (BaS)

Benefits at Standard are a charge assessed to cover the cost of entitlements of professional staff in FAO projects. The method of calculation is based on adding the actual costs of the all the entitlements paid to FAO officers at each project, by each grade, and an average cost per officer is determined and applied to the budgets of each project or work unit. The benefits include dependency benefits, cost of home leave, and education grant for the staff children importantly for the IOTC assignment and relocation costs for new and existing staff, and other minor benefits.

BaS is therefore an average cost across FAO and not an actual cost for IOTC. BaS is the most efficient way for the FAO to recover this set of costs by attributing them by officer by level by project.

As an example of how BaS is calculated, when a P4 position is added to the IOTC staff profile and a person recruited to fill that position the FAO costs the position based on the base salary cost for a P4 and then the average costs for a P4 in the FAO system for benefits at standard. To do this annually the actual costs of all P4 positions for benefits and allowances covered under this charge are added together and then averaged across the number of P4 positions in the system. If you had say 1000 P4 positions in any given year and the costs of these benefits in total was \$1,000,000 the average cost charged for Benefits at Standard for each position would be \$1,000.

Why do this and not simply charge the actual cost for the actual position? Good question but there is a logical reason for this. This method of attributing costs actually takes any bias out of the system. The rationale is that if confronted with apposition where you can employ a married person with five children of which three are in high school or you can employ a married person with no children or a single officer if the budget of the organisation is tight there might be a tendency to take the cheaper option and therefore the person with the five children would be unfairly disadvantaged. However, if the cost is a standard cost regardless of the benefits at standard that will accrue for the position then the person will be recruited on merit. Merit, fairness and equity are all essential principles in recruitment of staff.

One anomaly in this process is that the BaS charge is applied to all FAO professional staff, however, the locally recruited professional staff in the Seychelles do not benefit from the educational allowances.

**Note:** The assessment and purpose of Benefits at Standard is important to understand. While it may be fashionable to criticize the averaging model it is a useful in as much as it does eliminate biases from the recruitment process. When IOTC members look at the costs of leaving the IOTC they will need to remember that today's staff profile is only a snap shot in time and that profile and the associated staff costs can vary year by year depending on who is recruited and who leaves.

## Increased Cost Recovery Uplift (ICRU)

The other FAO cost that appears under Administrative costs is ICRU. This charge was implemented by the FAO in 2014 and following questions from the IOTC members on its purpose and application explained to members in: **IOTC CIRCULAR 2014-85 / CIRCULAIRE CTOI 2014-85 (attachment 9)**. The charge applies only to staff costs linked to staff members and consultants and has two components; 1) security which is normally charged at 4.5% and 2) IT normally charged at 1.4%.

The FAO explanation for implementing ICRU is to recover the operational costs of the organisation that are not free. The costs covered under ICRU include charges for security that has been increased and enhanced since 9/11 and the ongoing costs of IT. The costs were explained as follows:

*“As you are aware, in 2011 the FAO Conference was concerned about FAO's persistent under-recovery of the costs of administrative and operational support for funds held in trust by the Organization. The Conference urged the Director-General to vigorously pursue improving cost recovery, including in areas such as country-level costs, security, and information systems and technology, and to develop new mechanisms building on the experience of other UN agencies. Therefore, ICRU was developed and approved by the FAO Council in December 2011 for phased implementation by 2014. The final phase was the application of ICRU to funds held in trust for work taking place outside of FAO headquarters from 1 January 2014, including the funds administered for IOTC Secretariat in the Seychelles”*

Following the letter from the IOTC Chairman to the FAO, the FAO agreed to reduce the ICRU charge applied to the IOTC for security from 4.8% to 1.5% reflecting the difference in the Seychelles situation and support from the Seychelles government to the existing situation in Africa. However the FAO maintained the IT charge at the rate of 1.4%. The reduction in the ICRU saved the IOTC \$62,646 in 2014. ICRU is generally applied by the FAO to staff expenditure in the normal budget of the IOTC and also to staff costs for staff engaged under any extra budgetary funding that is provided to the IOTC and deposited in the IOTC Trust fund. Currently the IOTC has an exemption for ICRU and Project Services Cost charges on extra budgetary funds contributed for the purpose of supporting the Management Participation Fund (MPF).

There is frustration for both the FAO and the IOTC members surrounding these charges.

The IOTC feels that it is in many ways independent of the FAO processes and has its own staff and process much of its own work for financing and staffing and as such should not be subject to these charges. While there is some truth in this and it is reflected in lower Project Services Costs (PSC) and ICRU, it ignores the fact that the IOTC members in signing and ratifying the IOTC agreement and agreeing to establish the IOTC as an Article XIV body of the FAO, did so and accepted the rules and costs that accrue with that arrangement.

However of real concern to members is that the ICRU and PSC are charged to extra budgetary funds. IOTC members fundamentally feel that this is unfair and given that most of the work to manage these extra budgetary funds and to contract out and monitor the work and performance of contractors in completing this work, is managed by the IOTC it is hard not to have a fair amount of sympathy for their position.

The FAO on the other hand is pulled both ways. On one hand it has members attending the FAO Conference and Council instructing the Director General (DG) to recover costs and approving these new charges and then members from the same countries go to the meeting of organisations such as the IOTC decrying the imposition of these new charges.

The reality of the situation is often in the mind of the person telling the story but if there is some common ground in this argument it is probably found in fact. The FAO is a large multi-national organisation with some 4,200 general programme and project staff that runs some 3,500 projects worldwide and has a budget of some \$1.5 billion annually. The organisation has operational costs and on costs which have to be recovered and recovered fairly and equitably from all projects and programmes within the system.

## 2 Operating expenses

### Project Services Costs (PSC)

The operating costs from the IOTC as outlined in the budget are actual costs including the FAO costs, utilized to ensure that the IOTC is able to meet its programme of work set by the members at the annual meeting. The budget when first approved is the estimated budget for the Commission and this is then amended at the end of each financial year to reflect any savings that have accrued.

Again the issue for members is not the budget for operating expenses but that the FAO levies the PSC charge. PSC is normally charged at the rate of 13% of project expenditure. Under a special arrangement negotiated with the then DG of the FAO the PSC charges applied to the IOTC project are 4.5% instead of the nominal 13%, reflecting the location and membership of the IOTC and that much of the clerical work was performed in the Seychelles. The PSC is applied across the FAO on both projects and programme budgets to recover the costs of the global resource management systems (GRMS) that underpins the FAO administrative operations. The difference in the PSC charge for the IOTC from 13% to 4.5% represents a significant saving for the IOTC each year. Table 4 below sets out these savings for the years 2011-2015.

**Table 4: IOTC Project Servicing Costs (PSC) savings 2011-2015**

Year	Total expenditure	PSC Expenditure	PSC if 13%	Savings
2011	1,976,156	88,927	256,900	167,973
2012	2,187,347	98,431	284,355	185,924
2013	2,611,862	117,534	339,542	222,008
2014	2,824,064	127,083	367,128	240,045
2015	2,766,502	124,493	359,645	235,152

### Extra budgetary funds

These are funds that are provided to the IOTC for specific projects or initiatives outside of the normal assessed contributions for membership. These funds are channeled through the FAO and deposited into the IOTC Trust fund. PSC and ICRU are then applied as appropriate on expenditure. At this time the IOTC has an exemption for the Meeting Participation Fund (MPF) extra budgetary contributions with the levy set at zero. There is scope to argue for a reduction for all extra budgetary funds where expenditure is primarily geared towards capacity building for developing countries.

### Will these charges change over time?

During discussion with the FAO there is a view that this regime of charges will change in the coming years. At Finance Committee (FC) 157 in Rome 9-13 March 2015, the FC 157/10 *FAO Cost Recovery Policy (attachment 10)* This paper outlines in detail the proposed changes to the cost recovery policy in the FAO and is the policy developed from FAO FC 156/7 *Comprehensive Financial Framework for cost Recovery (attachment 10)*. The FAO proposed to implement transitional cost recovery arrangements from 16 January 2016. Under these new arrangements it is proposed to implement two charges Direct Operational and Support Costs (DOSC) and Indirect Support Cost rates (ISC) these new charges will replace the current ICRU and PSC charges. The attached papers should be read carefully by IOTC members as they drive future FAO cost recovery policy.

## General issues and concerns with the IOTC budget process

### Non-payment of assessed contributions

The 2014 IOTC budget was \$3,066,995 (Table 2 IOTC-2015-SCAF12-03E). The member countries assessed contributions for that year were \$3,066,996, however, only \$2,757,065 was actually paid by members to the IOTC to support the budget, leaving a shortfall of \$309,931 in 2014. In 2015, the budget was 3,274,580 while the contributions received were 3,029,964 leaving a shortfall of 244,616<sup>2</sup>. This annual underpayment is only part of the story as over the life of the IOTC members are indebted to the IOTC budget to the tune of \$1.9 million USD (as at 23 Dec 2015). This does not mean that the IOTC is in debt \$1.9 million as it has coped and ensured that its expenditure did not exceed the payments made. However it could do much more for its members if all outstanding payments were made.

IOTC-2015-SCAF12-09E notes as follows:

*“The problem of lack of contributions was compounded by increases in the assessed contributions of non-paying countries. Countries like Eritrea and Sudan moved from low-income to middle-income countries and their share of the contributions became proportionally larger. Yemen became a member in 2013, at a middle-income level, and never paid. Iran and Pakistan stopped paying in 2006 and 2010. As a result, the unpaid contributions became a larger proportion of the budget.*”

*5. The current deficit stands at around 1.4 million US\$ and it is a recurring deficit which continues grow. The FAO has described the IOTC “Project” account as in “serious deficit”. The FAO financial regulations (202.6.7 **Obligations against extra-budgetary funds**) indicates that Budget Holders may incur commitments and obligations in accordance with the purposes, limitations and rules and resource partner agreements governing each Trust Fund or Special Fund and to the extent that funds have actually been received or are otherwise available. The Organization (i.e. FAO) makes no financial commitments and disburses no funds under a Trust Fund until funds have been received. Advance financing arrangements may be made in exceptional circumstances, as provided in Financial Rules 202.6.8 and Rule 202.6.13. “*

It is understood that through the FAO, approaches have been made to those members who are in debt for 2014 and at this time the overall arrears owing to the IOTC from members has been reduced to around \$381,000. However, the cumulative debt to the IOTC from members is still in the order of \$2.1 million dollars. This does not mean the IOTC is \$2.1 million in debt as it has managed to cover its payments in spite of the non-payment of contributions, but it is money owing by members to the Commission.

The issue of non-payment of assessed contributions is a real problem for a number of RFBs and RFMOs. Rarely is there a legitimate reason for non-payment, however, non-payment restricts the work of the agency and causes difficulties for the Secretariats in meeting the work program set by Commission members. If members of Commission do not have the capacity to pay then this should be negotiated as part of agreeing to membership. However, once a country becomes a member there should be no excuse for late payment. Non-payment is a practice that needs to cease immediately in all Commissions. Commissions with large financial reserves can cope with a small level of legitimate late payment; however Commissions with limited reserves cannot cope and then have to rely on other members or organisations to help out.

Discussions in the IOTC on expenditure of late reflect the concept of “contributions based expenditure” meaning that the IOTC cannot expend any more money than it receives and this approach is entirely consistent with the FAO explanation outlined above.

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<sup>2</sup> IOTC Secretariat pers.com

IOTC members need to understand that the FAO makes no financial commitments nor disburses funds from the Trust fund until the funds have been received. As such it does not operate as a “banker of last resort” for organisations whose members do not or will not pay their assessed contributions.

### **Capital Reserve Fund (IOTC-2015-SCAFI2-09E)**

For many years the IOTC like the other tRFMOs operated with funds in reserve. This is good management practice and allows for a safety net in case members are late paying their contributions or something unforeseen occurs. On an annual budget of around \$3 million a reserve fund of around 30% or \$1 million would be expected to be held in reserve by the organisation as good practice.

In 2010 the IOTC took a decision to utilize the \$1 million they had in reserve to fund a meeting participation fund (MPF) to ensure that members from developing countries can attend all meetings of the IOTC. While this in itself is a very sound idea the MPF needs to have renewable funding and not funding only from the capital reserves of the IOTC. In 2010 the contribution to the MPF from the reserves was \$200,000 and then this was repeated annually until the reserves of the IOTC were fully expended.

It is difficult to understand how this was allowed to happen because without reserves and with members not paying their assessed contributions, the organisation will have a constant deficit or an ongoing inability to deliver on work it has commissioned as the funds will not be available. The other four tRFMOs all have substantial reserves as they are well aware that they do not have a parent organisation such as the FAO to fall back on if they get into difficulties. However, if IOTC members think there is a financial safety net to fall back on in the FAO, this in reality may not be the case as the FAO has no obligation to pay unless there are funds in the IOTC Trust fund.

The IOTC paper, IOTC-2015-SCAFI2-09E, (Capital Reserve Fund) was tabled at the 2015 Commission meeting but not substantively discussed. What was agreed was to add to the budget, a deficit contingency fund to ensure that the Commission receives sufficient funds to meet the intended activities and functions for that year. It is important to note that the contingency fund is not to be used to compensate for those members who do not pay. Further discussion will be needed on the Capital Reserve Fund before it is adopted.

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

The MPF is a sound idea. The WCPFC has mandatory provision for the funding of meeting participation for developing country members. The funding is part of the normal budget and as such it is not reliant on drawing down from reserves or on voluntary contributions. From 2014 the IOTC has included a budget for the MPF in the annual budget. However, this is only for \$60,000 and the annual cost of the fund is in the order of \$200,000. This year the IOTC has been fortunate to have considerable extra budgetary funds paid into the MPF. However, this is not a sound practice and whether this will continue into the long term is unknown and at some point in time the IOTC may have to levy full budget costs for the MPF. A useful example for the IOTC would be to study the WCPFC budget and convention that requires that funding be made available for at least one member from each developing country to be able to attend every meeting of the Commission.

As noted elsewhere the G77 members in the past have been concerned about leaving the framework of the FAO and if a suitable arrangement is not in place to ensure attendance at IOTC meetings of all developing countries this concern will probably deepen as they will see attendance and decisions about their fish taken with them not being able to be present.

## 6.2 Benefits

### 6.2.1 What are the advantages and benefits of staying inside the FAO system?

The credible benefits that accrue to the IOTC from remaining inside the FAO system

In looking at the history of the IOTC it is fair to say that if the FAO had not funded and encouraged the development of the IOTC then it probably would have been longer in its gestation. What the FAO provided at that time was a global mandate and legal and administrative framework, a broad base of membership from countries in the regional and a regional network of offices. As such the FAO was able to legitimately bring together the major parties and develop a process that ultimately led to the creation of the IOTC. The main benefits associated with FAO membership and a comparison to the non-Article XIV tRFMOs is discussed below.

#### **Institutional benefits**

One of the major benefits of the FAO systems is the representational advantage of FAO. Both staff and members believe that being part of the FAO provides:

- a safety net when working in the field and in helpful in for delivery in-country activities, such as meeting organizations, paying tickets and per-diems etc. The FAO has regional offices that can assist and being able to travel as FAO staff members provides a level of comfort and security.
- some developing countries may still feel that being part of the FAO system provides them with level of support and protection when dealing with developed countries. This sentiment is expressed in the 2007 G77 letter to the FAO. Whether this concern still exists is unknown and can only be tested by speaking directly to all member countries. This report may well provide the opportunity to have these discussions as part of the 2<sup>nd</sup> Review process and the outcomes can then inform the final direction members take.
- The FAO can potentially act as an intermediary with member and non-member countries over issues such as non-payment of fees and non-engagement. (Discussions with Iran for example)
- The FAO system now provides specialist services in security assessment and security training. These services while not as important in the Seychelles as they are in Africa (ICRU security costs were reduced for this reason), they are important for IOTC staff and members travelling in countries where security and health issues are a grave concern and as such are included as a benefit.

#### **Administrative benefits**

Article XIV bodies such as the IOTC benefit from access to all of the FAO administrative and financial systems. The IOTC has direct, access to these systems from the IOTC Headquarters in the Seychelles and as such much of the information is entered into these systems in real time by the staff of the IOTC. In addition, the FAO provides:

- Financial and administrative support systems and documentation are regularly updated and provide the framework for the provision of a professional and auditable process;
- The Human Resource systems provide a consistent global approach to salary scales and entitlement and a rigorous recruitment and staff management system;
- FAO conducts a system of rolling audits of its work units. However, it should be noted that there has only been one audit of the IOTC and that IOTC members have concerns about the transparency of the outcomes given that the audits are internal.
- FAO has an established IT network and support capacity.

- Help desk services for all systems and for IT

### **Staff benefits and allowances**

Staff benefits and allowances are mentioned in the ToR for this project and as such are important in any consideration. The FAO provides staff with a well-documented salaries scale, and associated benefits and allowances. These allowances are covered above and as such are not repeated here. Then important aspects of salaries, benefits and allowances to this debate are as follows;

- A number of staff at the IOTC have been there for long periods and were engaged under certain salary and conditions and as such have expectations of these salaries, benefits and pensions continuing as part of their career planning. Changes to these entitlements and in particular those effecting, health cover, education allowances or rental subsidies would need to be carefully managed.
- The FAO salaries and benefits offer lifelong pension benefits to staff and flow-on benefits to spouses. In reviewing all of the organisations listed in the ToR for this review it is only those organisations such as the IOTC/FAO and the ILO that are UN linked agencies who have access for their staff to the UNJSPF. The only other types of organisations who provide this type of lifelong pension fund are normally governments in developed countries or very large multi-national organisations. . The staff of the four tRFMOs who are not part of the UN system receive superannuation of pension contributions that are either paid to selected private funds contracted by the organisations as is the case of ICCAT or invest privately in funds of their own choosing (WCPFC). However in both models, the contributions are made to endowment funds that pay only until the contributions are exhausted or allow the contributor to withdraw the funds on retirement.
- Health care cover can be purchased privately and would mirror most aspects of the current system and as the Allianz health system that the FAO now has is a private company it may be possible to continue under the current system. . The only provision that could not be made is for after work health cover and transitional arrangements would need to be made so that staff members could migrate to their own private cover on retirement.

The current pension contributions of staff would be preserved in the UNJSPF until retirement but the after service health care would lapse. There does not appear to be any way to have these benefits replicated through a private fund. The only avenue for the IOTC would be to appeal to the UNJSPF and ask that their organisation be included in the fund. Both WCPFC and ICCAT have previously asked the UNJSPF to consider membership for their staff but both have been rejected as their staff procedures do not mirror those of the UN Common system and they do not have individual privileges and immunities from each member country. FAO staff has contacted the UNJSPF office to see if there is a case for existing staff to continue with the fund however, at the time of finalizing this report there has been no response from the UNJSPF/FAO.

Only two of these benefits are unique to the IOTC as an Article XIV body and do not accrue as benefits to the other tRFMOs.

The institutional benefits of the global FAO network and the security and safety the network provides for IOTC staff and meetings are no doubt of comfort to the staff. The only other tRFMO that has member countries with internal problems in member countries similar to those of the IOTC is ICCAT. However, in an email exchange with ICCAT the Secretariat advised that issues similar to those confronting the IOTC (Ebola and the Middle East) were handled without significant difficulties and with the member countries.

The other aspect that is not replicated in the other tRFMOs are the pension and after service health care arrangements that are provided to staff through the FAO system. In any transition these entitlements would be

lost as it is not possible to purchase them from private providers to mirror the entitlements of the UN Common system.

### **6.2.2 What are the disadvantages of staying as an Article XIV body of the FAO?**

In fairness to this process if there are advantages and benefits of staying with in the FAO system then there are also disadvantages. The main perceived disadvantages are summarized below:

- The Executive Secretary is selected in consultation with the FAO and the decision cannot be made solely by members as is the case in other tRFMOs.
- The RFMO selects its own staff but it is done through the FAO system
- Members of independent RFMOs have a sense of obligation and ownership as they are ultimately they are responsible for proper functioning of the agency
- The cost of the support services charged by the FAO
- The burden of bureaucracy and the time spent in financial circuits
- The cost of staff salaries and conditions of service which are paid at FAO rates
- Lack of transparency or understanding on the actually level of support provided
- The inability to enter into third party agreements for extra budgetary funding without additional costs being charged by the FAO

## Chapter 7: Option 2: The costs and benefits of continuing as an Article XIV Body of the FAO but with increased flexibility and autonomy

There has been considerable thought inside the FAO into granting more autonomy to Article XIV organisations (CCLM88, FC I48/2I and FC I57/17) and as such this option draws on these papers and considers whether further flexibility could be granted to the IOTC while remaining in the FAO framework.

Under Article XIV, the FAO DG follows a number of procedures and guidelines when establishing a new organisation. Depending on whether the body is to be self-funded or whether it will rely on the FAO for funding the autonomy accorded to the organisation may vary. However, what does not change regardless of the autonomy is that the DG is responsible for the conduct of these organisations to the FAO Conference and is responsible on reporting on their performance to that body.

The DG remains responsible for the financial and budgetary performance of the organisation and for ensuring that it's financial, Human Resource and management processes align with those of the FAO. Therefore while some autonomy for budget management, communication and staff recruitment has been passed onto Secretariats and members the DG under the current system must retain his or her mandate and oversight. These arrangements are similar for other international organisations that are aligned with UN Agencies and this can be seen in the discussion on these organisations above.

In the two Finance Committee (FC) papers referenced in this report the FAO notes:

*“The subsidiary Committees of the Council have recognized that the matter of allowing bodies under Article XIV of the Constitution to exercise greater financial and administrative authority while remaining within the framework of FAO is of a complex nature, given the differentiated nature of these bodies, as well as different views of the Membership as to the degree of autonomy to be recognized to them. Based on the review, it is accordingly essential to identify the Article XIV bodies which would benefit from greater financial administrative authority while remaining within the framework of FAO. It is suggested that these be identified on the basis of the following criteria: funding mechanisms, functional needs and legal authority, as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question. As a general guiding principle, increased delegation of authority to Article XIV bodies could be considered, provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization were in place.”*

This paragraph highlights that the Article XIV bodies are different and not all at the same stage of development, and then goes on to lay down the criteria to be considered for each body when considering greater autonomy and key amongst them is; *“that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization were in place”*.

In respect to budget audit and financial issues the view of the FAO is much clearer;

*“Budgetary, audit and financial issues*

*8. With respect to Project Servicing Cost, in 2011, the Conference reaffirmed the Organization's policy of full cost recovery that had been approved by the Council in 2000, in line with Financial Regulation 6.7 and urged the Director-General to vigorously pursue improving administrative and operational support cost recovery from extra-budgetary activities. The policy provides also that longterm trust fund accounts (e.g. Commissions established within the framework of FAO, including Article XIV bodies) will be subject to case-by-case estimate of the actual level of varied indirect support costs and charged accordingly. In 2004, the Finance Committee took also a very restrictive approach to the matter”*

Where the FC sees some flexibility to grant autonomy to Article XIV bodies is in the following areas, although in some of these areas the IOTC already has flexibility:

- External relations
- Conclusion of agreements with other organisations
- Selection of staff
- General Service staff recruitment
- Communication with Governments;
- Travel scheduling and arrangements and
- Relations with donors.

While these issues are important and freeing them up somewhat assists in the day to day management of the IOTC and other bodies, they don't get to the heart of the issues that concern the IOTC members.

### **Key issues for autonomy for IOTC members**

As mentioned above there are a number of issues listed in the ToR for this project that are of obvious concern to the IOTC members and they are:

- Financial management arrangements
- FAO charges under PSC and ICRU
- The Benefits at Standard as standard staff costs for professional staff
- Charges under Benefits at Standard that apply to locally recruited staff
- Contracting
- PSC and ICRU costs applied to extra budgetary funds

There is a difference between the position of the FAO and the IOTC on issues of concern and the desire for more autonomy. The ongoing reason for this may well be found in the following paragraph from FC 157/17 .....*“finally, it may be of interest to mention in the general section of this document that the Council, at its 146th Session, when approving the report of the 148th Session of the Finance Committee, noted the Finance Committee’s concurrence with the criteria for increased delegations of authority for Article XIV Bodies, proposed in document FC 148/21, and the need for a differentiated approach to these bodies. The Council also stressed, “given FAO’s general accountability for the operation of Article XIV bodies, the need for a prudent approach by recognizing the functional requirements of these bodies, while ensuring, in a pragmatic manner, the observance of FAO’s policies and procedures”.*

### **How has the IOTC benefited from flexibility and autonomy?**

The FAO have been careful to approach the flexibility and autonomy for Article XIV bodies on a case by case basis in the belief that the “one model fits all approach” will not work as the organisations are fundamentally different, have different members and mandates and are at different stages of development. In a straight financial sense, as mentioned above there have been concession granted to the IOTC for PSC (13% reduced to 4.5%) ICRU (5.9 to 2.9%) and zero on extra budgetary funding to the MPF.

The other autonomy the IOTC has includes the mandate to create its own budget and financial rules and regulations, select in consultation with the FAO staff for the organisation, plan and undertake travel and arrange meetings.

### **Looking constructively at the problem**

There are three main issues to be addressed;

- the FAO’s legal and financial responsibility for the conduct of these Article XIV bodies and that is recognized.

- The second is a question as to whether the IOTC would pass the criteria for more flexibility and autonomy as laid down in FC 148/21.
- The third issue is even more challenging and that is what would this extra autonomy be and how would it be achieved.

FC 148/21 notes: *Based on the review, it is accordingly essential to identify the Article XIV bodies which would benefit from greater financial administrative authority while remaining within the framework of FAO. It is suggested that these be identified on the basis of the following criteria: funding mechanisms, functional needs and legal authority, as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question. As a general guiding principle, increased delegation of authority to Article XIV bodies could be considered, provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization were in place.*"

So let's consider the IOTC against the above criteria. It is important to note that FC 148.21 is very vague about what these criteria actually mean and how you would demonstrate that they can be met and as such it is very difficult to credibly assess the IOTC against them, however the below may provide some useful insight.

### **Does the IOTC have funding mechanisms?**

The strength of the current IOTC model is that the IOTC is fully funded by its members and it attracts substantial extra budgetary funding for specific projects. The FAO does not contribute technically or financially to the IOTC beyond those services covered by ICRU and PSC. The IOTC has three staff dedicated to the financial management of the IOTC and who enter much of the financial information that stimulates payments and budget information to the FAO systems. The staff are well versed in the use of the FAO financial systems and the IOTC staff prepare the financial reports to the IOTC members. The IOTC staff work with FAO to prepare contracts for external work and manage much of the extra budgetary funding.

The weakness for the IOTC is in the substantial arrears in payments of annual levies by some member countries of the IOTC. Following the creation of the MPF, the IOTC members have not agreed to a funding mechanism for the MPF and therefore, reserve funds have been utilized to pay for these expenses. As a consequence the Commission does not have any substantial savings or reserves to buffer non-payment. The IOTC has yet to take a decision to create a Capital Reserve Fund.

Therefore while it could be concluded that the IOTC has the correct processes for a self-funding mechanism and these are agreed, it really struggles to deal with the ongoing although decreasing non-payment of assessed contributions.

If the IOTC is to benefit from further financial flexibility members will need to develop a far greater understanding of the financial process that underpin the day to day operation of the IOTC. Along with this must come a far greater commitment to pay assessed contributions annually and to over time ensure that all debts are finalized.

The IOTC Secretariat will not deliver effective or efficient performance to its members if it does not have sufficient funds to do so.

### **Does the IOTC have functional needs for more autonomy?**

The IOTC is remote and removed from the FAO headquarters in Rome. However, in discussions with IOTC finance staff there is no indication that the location results in the delay of payments through the FAO system. Yes, the system takes time to process payments and to get allowances and payments to people, however there is a time lag in most systems from entry to payment. The experience in the WCPFC is that if member countries nominated people who are to travel to meetings on time then problems with timely payments to delegates would largely disappear.

One of the strengths that may flow from greater level of independence, responsibility and accountability for these functions is greater sense of ownership of the IOTC by its members. No longer will there be anyone else to blame for the costs and the members will have to own all of these tasks, functions, outcomes and deal with any issues themselves. The current discussions about the budget, the non- payment of levies, the creation of the Capital Reserve fund and the acceptance of the deficit contingency line in the budget this year all show an emerging maturity in the IOTC membership.

However, there is an issue in that there is no legal capacity in the IOTC and as such it would continue to rely on the FAO legal office for advice on contracts and commitments, and more importantly on the interpretation of the Agreement and the basic texts in general.

What members seem to be seeking in part is greater clarity and transparency over the IOTC budgets and financial arrangements. Whether this is an issue of lack of explanation by the FAO or by the IOTC Secretariat is difficult to determine, however it should be noted that there are two very good papers FC I08/II(b) and IOTC Circular 2014/85 that both provide a good insight into costs and hopefully this report then fills in some of the other gaps. The Secretariat also provides explanations in the financial reports provided annually to the members.

The IOTC could move to have an annual audit of expenses and budgets outside of the FAO system to inform members on income and expenditure and this would be entirely consistent with other Commission and may provide some confidence to members and a better understanding of the budget expenditure.

Is there a demonstrated functional need for greater autonomy?

There is considerable autonomy granted to the IOTC under the current arrangements with the FAO. There are however issues such as the selection of the Executive Secretary, the issue of external funding, cost of travel under the FAO system and if autonomy was granted on these the IOTC may well become a stronger organisation with more direct responsibility for its finances and decision making and have less reliance on the FAO.

### **Does the IOTC have Legal Authority?**

The IOTC would seem to have legal authority to undertake functions currently performed functions delegated by the FAO. Legal authority in the sense that the FAO agreement attributes the following responsibilities to the members of the IOTC;

- *to consider and approve its programme and autonomous budget, as well as the accounts for the past budgetary period;*
- *to transmit to the Director-General of FAO (hereinafter referred to as the “Director-General”) reports on its activities, programme, accounts and autonomous budget and on such other matters as may be appropriate for action by the Council or the Conference of FAO;*
- *to adopt its own Rules of Procedure, Financial Regulations and other internal administrative regulations as may be necessary to carry out its functions; and*
- *to carry out such other activities as may be necessary to fulfil its objectives as set out above.*

In addition to the above the IOTC Agreement states:

*“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.”*

The FAO CCLM 88 assessment of the IOTC was that it did not have legal personality and as such the legal personality would reside with the FAO. As noted above there is alternative legal advice and any further debate on the issues would require legal debate between the IOTC members and the FAO.

Legal personality is a concept that international organisations that are said to have legal personality have rights and obligations under international law. Such rights include; entering into contracts, agreements with countries and sign agreements on funding for example. The following definition is useful; “*International Organizations are established by States through international agreements and their powers are limited to those conferred on them in their constituent document. International organizations have a limited degree of international personality, especially vis-à-vis member States. They can enter into international agreements and their representatives have certain privileges and immunities. The constituent document may also provide that member States are legally bound to comply with decisions on particular matters.*

*The powers of the United Nations are set out in the United Nations Charter of 1945. The main political organ is the General Assembly and its authority on most matters (such as human rights and economic and social issues) is limited to discussing issues and making recommendations. The Security Council has the authority to make decisions that are binding on all member States when it is performing its primary responsibility of maintaining international peace and security. The main UN judicial organ is International Court of Justice (ICJ), which has the power to make binding decisions on questions of international law that have been referred to it by States or give advisory opinions to the U.N.” (<https://www.ilsa.org/.../intlwinintro>).*

Also relevant here is Article XV of the IOTC Agreement:

#### **Article XV. COOPERATION WITH OTHER ORGANIZATIONS AND INSTITUTIONS**

*1. The Commission shall cooperate and make appropriate arrangements therefore with other intergovernmental organizations and institutions, especially those active in the fisheries sector, which might contribute to the work and further the objectives of the Commission in particular with any intergovernmental organization or institution dealing with tuna in the Area. The Commission may enter into agreements with such organizations and institutions. Such agreements shall seek to promote complementarity and, subject to paragraph 2, to avoid duplication in and conflict with the activities of the Commission and such organizations.*

However, if this is understood correctly legal authority and legal personality are different and for this discussion the IOTC would seem to have the legal authority make payments and perform other functions delegated under the IOTC Agreement.

The other observation that can be made is that the IOTC agreement can be modified to reflect greater autonomy, as the limitations drafted into the current agreement were drafted before the IOTC became a functioning Commission and as such with the benefit of having watched its progress the FAO could modify the current agreement and grant greater autonomy and flexibility if it felt it was necessary and desirable.

#### **Legal Personality**

The IOTC has the authority to manage most of the administrative functions listed above. What is lacking however, and it is what some of the other UN organisation studied have is legal personality. If the IOTC could be granted Legal Personality as an Article XIV organisation of the FAO without leaving the FAO then additional flexibility would be apparent to members of the IOTC. If this was possible then the IOTC would be able to enter into agreements, MOUs and other obligations without having to refer to the DG of the FAO for approval.

## Is the IOTC Secretary accountable?

The IOTC Agreement states that the Secretaries role will include:

*“The Secretary of the Commission (hereinafter referred to as the “Secretary”) shall be appointed by the Director-General with the approval of the Commission, or in the event of appointment between regular sessions of the Commission, with the approval of the Members of the Commission. The staff of the Commission shall be appointed by the Secretary and shall be under the Secretary’s direct supervision. The Secretary and staff of the Commission shall be appointed under the same terms and conditions as staff members of FAO; they shall, for administrative purposes, be responsible to the Director-General. 2. The Secretary shall be responsible for implementing the policies and activities of the Commission and shall report thereon to the Commission. The Secretary shall also act as Secretary to other subsidiary bodies established by the Commission, as required.”*

The Secretary has a number of responsibilities and accountabilities including implementing the work program and policies of the IOTC members and reporting to them on the outcomes, reporting the progress of the IOTC to the DG of the FAO, and representing the Commission in international and regional forums.

All of these responsibilities are part of the Secretary’s accountability to the FAO and to members.

Given that the IOTC would probably meet the criteria in FC 148/21, then the question remains as to what this additional autonomy or independence might look like and the following is a discussion on some elements that might increase the IOTCs flexibility as a more autonomous organisation of the FAO. .

### **Option 2: Granting additional autonomy or independence to the IOTC within the FAO system**

Given that the FAO has legal and financial responsibilities for the conduct of the IOTC and all Article XIV bodies, they are extremely cautious on granting flexibility in legal, administrative and financial arrangements to these bodies. To date however, there has been considerable flexibility accorded to the IOTC. The question is whether this is actually understood by members as no doubt delegates change over time and sometimes the mistake is made that everyone understands and issue because it has been around and discussed for long time, but what it really needs is for information about the issue to be regularly refreshed so that new entrants better understand.

In reviewing the external organisations it is interesting to note that they all operated reasonably independently but in harmony with their parent organisation. At least one has legal personality and others have MoUs outlining the relationship and responsibilities between them and their parent organisations. While noting the FAO legal advice and concern in 2007, the question remains if it is possible to grant the IOTC legal personality to allow the IOTC to enter into agreements, and to develop a MoA with the FAO to allow the IOTC to operate independently but within the framework established under the MoA (see UNEP/WMO/IPCC MoA) and remain as part of and accountable to the FAO.

In effect this option is trying to provide the IOTC with the “best of both worlds”, the benefits to staff and members of FAO membership and the flexibility and ownership that flows from independence. As such this option may have little attraction to members or the FAO but in trying help in dealing with what is a difficult issue the following provides a framework for this option.

Therefore this proposal has three elements that could define a new style of organisation and arrangement between the IOTC and the FAO.

- Grant independence to the IOTC within the FAO framework by establishing legal personality for the IOTC and establish a Memorandum of Agreement (MoA).
- Eliminate charges applied to extra budgetary funds and minimize ICRU and PSC charges where possible.
- modernize of the IOTC Convention consistent with the UN Fish Stocks agreement and construct a convention that can effectively manage flag and port state responsibilities and fishing entities.

As mentioned above when studying the business models of a number of the international agencies such as the IPCC, UPOV and the IRAC they are in a way similar to the IOTC situation is as much as they are linked to parent organisations. The differences seem to be in the global mandate they have, their size and scope and in the positive relationship they enjoy with the parent organisation. Some of these organisations have legal personality in their own right (UPOV) and some have MoA's (IPCC) under which they operate.

The FAO were concerned in 2007 that any greater autonomy to one Article XIV organisation could cause a flow on effect to others and that it may also have ramifications for other UN agencies. The concern of the FAO is noted as it is an important consideration. However, the question is whether a similar arrangement with UPOV and the IPCC could be created for the IOTC to allow it to remain harmoniously within the FAO system.

What would be required is a more thorough study of these international agencies and interviews with their Secretariats as their websites are limited and the reality of the relationship may be different to how they are being interpreted. At the same time the FAO would need to legally review its position to Article XIV bodies by comparing them to the legal frameworks that exist in the other agencies to seek synergies. The FAO may decide that the legal constraints in the FAO convention are such that granting autonomy or independence to manage their own funds, budget, performance and sign agreement is not possible, however the IOTC while relatively small in relation to some of the agencies above is a mature self-funding agency as are UPOV and IPCC. This approach may provide a unique way for the IOTC to remain within the FAO framework while having a greater degree of independence but still be accountable and required to report on its progress and issues to the FAO Conference.

### **Extra budgetary costs, ICRU and PSC**

The FAO on a case by case basis applies ICRU and PSC charges to any extra budgetary funds accumulated by the IOTC. The IOTC members feel that this is fundamentally unfair and restricts the willingness of members and donors to contribute additional funds for specific projects. FAO has made some concessions in this area already with the ICRU costs reduced from 5.9% to 2.9% for all IOTC expenditure and has recently set the level to zero for contributions to the MPF. The IOTC has 32 member countries and two cooperating non-member countries Senegal and South Africa, it appears that 18 members of the IOTC and the two cooperating non-members are developing countries and a number small island developing states. Extra budgetary funding primarily goes to the capacity building in these developing states or to developing a better understanding of the Indian Ocean stocks.

Of the ongoing costs ICRU and PSC, if the IOTC was granted permission to both enter and approve its expenditure and manage and expend its own extra budgetary funds and projects under a MoA then it is feasible that some of the PSC and ICRU costs could be further eliminated. Some costs would remain for access to the basic systems but the need for FAO interaction for approvals would be eliminated. To provide the FAO with certainty and accountability the IOTC processes would have to be independently audited each year and a copy of the audit report provided to the FAO. Why you ask? The reason is twofold; the FAO still has a legal and financial responsibility for the IOTC as an Article XIV body, and in order for staff to retain access to the UN

Common system and pension fund personnel and financial practices have to be consistent with those used in the UN system. .

If it was agreed that there was not to be any on-costs applied to these extra budgetary funds the IOTC members feel they would be in a good position to lobby members and institutions for funds that could then be applied to a range of priority tasks in the IOTC.

### **Modernizing the Convention**

This recommendation was one of the main recommendations of the 1<sup>st</sup> Performance Review and to date it has not been acted upon. The recommendation reads as follows:

*The IOTC Agreement is outdated as it does not take account of modern principles for fisheries management. The absence of concepts such as the precautionary approach and an ecosystem based approach to fisheries management are considered to be major weaknesses. The lack of clear delineation of the functions of the Commission or flag State and port State obligations provide examples of significant impediments to the effective and efficient functioning of the Commission.*

This recommendation is not contingent to the review and it should be modernized to reflect the UN Fish Stocks Agreement (UNFSA) and modern practice in RFMOs. However, it is included here for two reasons, it is important to reflect the changes in the UNFSA as these provisions help eliminate IUU by requiring anyone fishing in the waters of the IOTC to be members or non-members of the IOTC and as such free riders are eliminated. Secondly a new convention could also contain provision to deal with fishing entities which cannot be included in the current convention. This may or may not help the IOTC better manage the issue of TPoC.

### **What would the costs be for Option 2?**

As explained on page 57 below the costs of staying in the FAO or becoming independent is a benefit of around \$304,000 annually and it should be understood that the amount is not technically a saving but is a combination of a saving of around \$10,000 and a redistribution of costs following TPoC membership. Under Option 2 the following scenario should apply to costs:

- IOTC salary and staff costs would remain the same as the benefits and conditions would apply as they do under Option I.
- The Headquarters Agreement would remain in place
- The IOTC would continue to use the FAO systems but the FAO staff would not have to check and approve the IOTC payments as the Executive Secretary is the budget holder.
- The PSC and ICRU costs may be negotiated downwards if the interaction and demand for FAO staff is reduced
- The IOTC would need to conduct an internal audit each year at a cost of around \$35,000 pa.
- The IOTC would need to purchase a project and financial management package to manage the extra budgetary and project funding that is outside the FAO system. The cost of this is minimal and may run to \$5,000 pa.
- The IOTC would need to develop appropriate financial management arrangements that satisfy the FAO processes for both payments made through the FAO systems and extra budgetary fund management
- IOTC staff recruitment processes will need to remain consistent with FAO processes as staff are paid through and benefit from FAO salaries and conditions of service; and

- The only startup cost would be to negotiate the MoA with the FAO and this again should not be an expensive exercise. If it required a special meeting the cost would be in the order of \$60,000.

While at times this seems to be a complex matter once it is broken down the processes are fairly simple and very good examples of best practice in a number of areas can be found in the other tRFMOs.

### **What are the benefits of Option 2?**

The benefits of Option 2 are the maintenance of the FAO financial and administrative systems, and the salaries and conditions for staff along with the other benefits ascribed above for membership to the FAO system. If this option was adopted then some of the IOTC members would have the independence that they feel they need for financial and administrative arrangements while others would still benefit from the comfort and security of operating from within the FAO framework.

This option would maintain the staff conditions including access to the FAO entitlements, health benefits and the UNJSPF and this would clearly be seen as a benefit to staff. In addition staff could also seek transfer and promotion to other positions within the UN system.

There is also a benefit to members in this option of feeling as a first step they have been able to move towards independence and autonomy without actually leaving the safety net of the FAO and this may appeal to some member countries that are nervous.

### **Consideration**

This proposal is a tangible option as it is framed and as noted it may not be welcomed or supported but it is a way of providing some independence and flexibility while remaining inside the FAO system., To work it would require professionalism, good will and commitment from both parties and as mentioned above this is the hallmark of the relationships between the external organisations studied above in Chapter 5.

If the FAO was to decide that it was not possible to grant autonomy or a level of independence such as that enjoyed by UPOV and IPCC then it could still consider the charges to extra budgetary funds and the modernizing of the convention for the IOTC separately.

There remains however, the issue of TPoC and if this model is not flexible enough to include TPoC in the IOTC as a member then the option may not in the end provide the required flexibility the IOTC needs to properly manage its fish stocks into the future.

If Option 2 is not possible then that will take us to the third option.....leaving the FAO.

## **Chapter 8: Option 3: The costs and benefits of the IOTC outside of the FAO framework.**

Chapter 6 above provides the costs associated with staying with the FAO along with the savings that accrue from the reduction in levies that the IOTC currently enjoys. This chapter looks at what it would cost to establish the IOTC outside of the FAO framework and then the ongoing costs of the IOTC as a stand-alone tRFMO. In 2004-2007 the IOTC Secretariat undertook considerable work on all aspects of establishing an independent organisation. Much of that work is still current today and the papers are still available although some may now be dated. In discussions with the Executive Secretary of the IOTC at that time, his view was that the costs associated with establishing an independent IOTC were minimal and he felt that the only potential staff increase might be for a Human Resources (HR) officer and then the others cost would probably largely be the same.

This chapter does not deal with the legal advice contained in CCLM 88/3 or the alternative legal advice. If the IOTC members and the FAO decided that it was in the best interests of both agencies to separate and for the IOTC to become independent then it is assumed that a mature and reasonable discussion would then occur as to the legal aspects of separation and the best approach to facilitate a practical and reasonable outcome.

The 1<sup>st</sup> IOTC Performance Review noted the following concerning member's views on the financial arrangements in the IOTC:

### ***Financial arrangements***

*The Panel analysis revealed that the relationship of IOTC to FAO in terms of financial issues is negatively affecting the workings of the Organisation. Under this arrangement, the budget is not entirely under control of its Members or the Secretariat. While the Secretariat is a budget holder, execution of the budget depends on FAO, which puts both a constraint on and reduces transparency in IOTC's financial management. All contributions and donations from Members to the autonomous budget have to be deposited in a Trust Fund which is administered by the FAO Director General. Moreover, the Finance Committee of FAO has the power to disallow the IOTC financial regulations and amendments thereto if it finds them inconsistent with the FAO Financial Regulations. This arrangement limits the ability of the Secretariat to manage the budget independently, and overall, limits the control of IOTC Members over it. It should also be noted that FAO has not provided any contributions to the IOTC as foreseen in Article VIII.3 of the Agreement. It is therefore clear that a modification of the financial management status quo is needed."*

## **The costs of establishing the IOTC as an independent body outside of the FAO.**

If a decision was taken to establish the IOTC outside of the FAO it will need to be a decision that fits comfortably with both parties as the process of separation will only happen with good will and cooperation on both sides. In reality if agreement is reached to separate it will be a 12-24 month process and during that process the IOTC will still need to operate a "business as usual" approach and meet its commitments to the FAO and to its members. This timeframe may well be longer if ratification of a new agreement is required as it would need to be considered and approved by member governments and it is worth noting that it took IATTC about 6 years to adopt the Antigua Convention.

### **The first steps**

The first step in this process will be to decide on a timeframe and to establish a working group of both FAO and IOTC staff and members to shepherd the process through. There are a number of legal/financial and administrative documents and process that will need to be amended and accepted before any changes can be made. The issues discussed below are not an exhaustive list of the work that will need to be progressed to make sure the IOTC can become an independent organisation; however, they are probably the main issues. Much of the documentation that is needed will be available from other tRFMOs but it will still need to be developed and modified for the IOTC situation before it will be accepted by the members.

## Legal issues

The following is an indicative list of the legal issues that will need to be addressed;

- A new modernized convention will need to be drafted and accepted then ratified by members
- New Rules of Procedures, staff regulations and financial regulations will need to be drafted and accepted by members. These may be able to be adapted from procedures in other tRFMOs
- The Headquarters Agreement will need to be re-negotiated with the Seychelles government
- Legal processes for separation from the current agreement will need to be agreed with the FAO and arrangements commenced
- A country will need to accept responsibility as the repository for the new Agreement, verifying the new conditions of eligibility for members and if necessary managing any issues of outstanding debts.

## Financial Arrangements

Changes to current financial arrangements will include the following activities, however it should be noted that new financial rules and regulations were developed for the IOTC in 2006:

- Drafting and acceptance of new financial regulations and procedures
- Establishment of bank accounts
- Auditing procedures
- Acquisition and implementation of financial management systems such as Quickbooks or MYOB
- Transfer the assets and bank accounts to the new organisation

There may be an issue with how the IOTC deals with the outstanding contributions under the current IOTC Convention. The \$2.1 million is owed by members to the IOTC and that debt should be structured to carry over as owing to a new and independent IOTC or preferably members should settle the outstanding debt before being allowed in as members of the new organisation.

## Administrative arrangement

The administrative changes will include:

- Drafting and acceptance of the Staff regulations and conditions of service
- Implementing new staff contracts
- Develop staff recruitment procedures
- Find and implement new arrangements for pensions and health and medical coverage
- Purchase computer software and licenses
- Reviewing and upgrading IT if required

## What would the start-up costs potentially be?

The costs are somewhat hard to estimate accurately as it would depend on the capacity of the working group to undertake some of the tasks. However in a scenario where some of these tasks need to be contracted out the following costs may be attributed.

### I Cost of the Working Group

The working group will include current serving officers of both the FAO and the IOTC staff and members. However current serving officers have a full time job and while this group will be charged with guiding the

process and will be able to do some of the work there will need to be at least one fulltime professional staff member allocated to progressing this work and a General Service officer to arrange meetings, travel and disseminate documents. Using the current average IOTC costs, this would cost in the order of \$250,000 per annum. An alternative approach would be to use an independent consultant to undertake this work and there may well be savings in this approach.

## 2 Special meetings of the Commission

It is hard to imagine that this work can be progressed satisfactorily in the normal meeting of the IOTC as such there will be a need for up to 3 special sessions of the parties over a 2 year period. The costs of a meeting is normally around \$60,000 and may be more depending on the capacity of developing country members to attend and the willingness of members to host and meet some of the on ground costs. As such meeting may costs as much as \$100,000.

## 3 Drafting and negotiating the new Convention

This will require specialist legal skills as the new Convention will need to include the provisions of the UN Fish Stocks agreement and this may change the current Agreement. There are a limited number of people with the skills and understanding to develop a Convention. The task may take 18 months to complete and require attendance at all 3 of the special meetings. The cost of this task is estimated at \$200,000.

## 4 Purchase of software including desktop software licenses and operating systems and training

In discussion with the WCPFC Finance Manager, he notes that the annual purchasing of software is not high but that annual license fees area round \$67,000. In addition to an IT Manager in the professional ranks, they contract 3 small IT companies annually to provide specialist advice at a cost of around \$100,000. The only other ongoing cost is that the WCPFC invests \$100,000 annually in the ongoing development of an information management system or IMS. Once completed much of this system may well be of use to the IOTC.

## 5 Up-grading IT capacity

This is a cost that cannot be estimated as the capacity of the current IOTC system to manage additional programs and process is unknown. Whether it would require new servers or modernizing is unknown and this would need to be reviewed if the members decided to make a change.

## 6 Establish a Capital Reserve Fund

All the tRFMOs except for the IOTC have substantial capital reserves and most through the adoption of sound business practices have regulations that determine how much must be held in the operating accounts for the organisations. IOTC paper 2015-SCAF12-09(E) is an excellent paper to start the debate to establish this fund. In the TRFMOs for example in 2014 ICCAT had an available balance of it working capital fund of €3,570,895, CCSBT had net asset of \$1.5 million (AUD) and WCPFC held \$1.78 million in the Working Capital Fund.

The IOTC working paper 9 (E) seeks the establishment of a Capital Reserve Fund of \$1 million dollars. This would seem to be a sensible goal given that the annual budget is in the order of \$3 million. This fund would importantly provide a buffer against assessed contributions that are not paid and these currently total some \$2.1 million.

### Additional costs for establishing an independent IOTC

Therefore, if you add these extra budgetary costs together the overall potential start-up costs if the assessment made above on key tasks and processes is correct would total in the order of \$2 million dollars for the 24 month startup period.

**Table 5: Initial Start-up costs for an independent IOTC**

Task	Year I	Year 2	Total costs
Working party	250,000	250,000	\$500,000
Special meetings	100,000	200,000	\$300,000
Drafting and negotiating new convention	100,000	100,000	\$200,000
Software and licenses	nil	\$75,000 then annually \$50,000	\$75,000
Upgrade of Computer system			Unknown without review but may be OK
Establishment of Capital Reserve Fund	\$500,000	\$500,000	\$1,000,000
		<b>Total cost</b>	<b>\$2,075,000</b>

Note 1: the Capital reserve fund should be established regardless of separation and if the \$1.9 in outstanding contributions was paid then this money should be used to establish the fund and not to offset other expenditure or future contributions.

Note 2: These costs may be too high and depending on the internal capacity of the IOTC and members to contribute they may be reviewed and lowered

### Ongoing costs post the establishment of an independent IOTC.

The ongoing costs are those costs that the IOTC would need to bear annually as an independent organisation. The 2014 budget for the IOTC is (attachment 7). This budget shows annual expenditure of \$3,066,995 and this is the full cost of operating the IOTC for 1 year and includes \$60,000 for the MPF.

#### Staff salary, benefits and allowance costs

The two organisations that should be compared closely in this process of estimating ongoing costs are the IOTC and the WCPFC. The reasons are that they are both island based Secretariats, both difficult for members to travel too (the WCPFC more so), both have high staff rents, the costs of recruiting and exiting staff is high and the post adjustment is high. Table 2 above is informative as it demonstrates that in 2014 the average staff cost for professional staff in the IOTC was \$226, 075 and for WCPFC \$221,455. The General Service staff costs are also similar IOTC \$24,229 and the WCPFC \$27,190.

The conclusion that could logically be drawn from this is that in recreating the IOTC independently the average staff costs (including salaries benefits and allowance) for professional and GS staff will largely be the same. The reason for this is that the staff conditions and costs will remain in any package of staff salaries, benefits and allowances. As noted above three tRFMOs base their salaries and conditions on the UN system and it would seem logical for the IOTC to Use this as a starting point and particularly as some staff are contracted under these salary and conditions. However, the IOTC would then be able to amend some of the conditions such as rent allowances and business class travel to professional staff for reunion fares which may well lead the IOTC to considerable savings.

### Potential ongoing additional staff costs in salaries and allowances:

In discussions with the Executive Secretary who was involved in the 2004-07 discussions he felt that, at that time, the IOTC may have required an additional financial or HR professional position. However in discussing arrangements with the current IOTC staff and comparing workloads with the WCPFC this does not seem necessary, especially considering that the IOTC has had a professional finance and HR manager since 2013. The rationale for this is that the WCPFC currently processes an average of 140 financial transactions per month with a Finance Manager and three local staff. The IOTC currently enters 40 transactions per month with a Finance Manager and three local staff. This work load would increase slightly with payroll functions and payments to delegates who are travelling, however even if it was to double to 80 transactions per month it is still well below the current WCPFC workload. The additional staff costs that may be accrued by the IOTC would include:

- The cost of a legal service provider, either staff or on a contract retainer to provided services as required,
- Depending on the outcome of negotiations on the Headquarters Agreement the IOTC may need to recruit the current IT manager who is provided by the Seychelles government at a professional level IT Manager, as the ongoing success of the agency will rely on the strength of its IT performance. Members also have a high level of sensitivity about the security of their data. However, if the Seychelles government continues to provide the resource this cost may not be necessary.
- Consistent with the WCPFC approach, changes in the staff regulations may be necessary to avail locally recruited professional staff to education and rent allowances consistent with other professional staff. (see estimate in table below)
- The IOTC has a waiver so that rental allowance does not cease after three years but is paid for the length of tenure in the IOTC. This waiver should continue in order to attract good staff as the Seychelles is a high cost location for rents.

These potential additional costs are tabulated in Table 6 for ease of reference with the figures based on real costs for IOTC staff and costs attributed from like activities in the WCPFC.

**Table 6: Potential additional costs to the IOTC under an independent model.**

Costs	Staff	Current cost	Future Cost	Total
IT Manager (only if required)	226,000	Provided by HQ Agreement		226,000
Additional IT support		Provided by FAO (ICRU)		50,000
Rent and Education allowance to local engaged professional staff		nil		45,000
Audit costs			35,000	35,000
Legal Services		FAO	50,000	50,000
			Total additional	\$406,000
			Total if IT manager funding not required	180,000

Note: Rental costs for local professional staff are difficult to calculate as it depends on staff requirements; IT Manager position costed at average professional expat cost for IOTC but there are very good local staff so cost may be too high; Legal costs and audit costs estimated on the WCPFC costs.

### Will any of these costs be off-set by savings from the current FAO levies for ICRU, PSC and BaS?

In Chapter 6 above there are detailed explanations of the FAO charges, how they are applied and the saving currently accruing to the IOTC. There are three potential FAO based charges that could result in savings for the IOTC under an independent model. The charges are for ICRU, PSC and BaS and they are discussed below. With regard to the other staff related costs and charges such as pensions and health services and rent allowances if similar benefit and allowances provisions were adopted by the IOTC these costs would still apply in the new model.

**Table 7: 2014 FAO Charges to IOTC**

Charge	Amount	Saving Y/N
ICRU	\$57,047	Yes
PSC	\$133,924	Yes
BaS*	\$414,451*	Not initially but could change if conditions reviewed

Note: This does not include rental costs of \$132,000 pa. Rent is charged to the budget at actual costs.

#### ICRU

This charge has been levied under the direction of the FAO Conference to cover the cost of security assessments under the FAO/UN Security assessment framework and for IT costs. If the IOTC became an independent organisation, the ICRU cost of around \$60,000 annually would be a saving. Some of the funding may be needed to ensure security on the houses of staff. However, it is a saving, as the funds would no longer be paid to the FAO and as such can be offset against additional costs for charges such as IT and software licenses.

#### Project Services Costs

The project services costs (PSC) for the IOTC in the year 2014 were \$133,924. The PSC charge is levied on the projects across the FAO to cover the costs of maintenance of the global resource management systems (GRMS) that underpins the FAO administrative operations. These systems include payroll, HR systems, finance management systems and reporting systems. They are the background systems that support the FAO administratively and they need to be developed and maintained for the organisation to operate.

In an independent IOTC model, the levy of \$133,924 would be an annual saving and could be used as an offset against additional costs.

#### Benefits at Standard (BaS)

This amount has been factored into the assessed average salary, benefits and allowance for staff at the IOTC. The current payment covers dependency benefits, education allowances, recruitment and repatriation of staff, and reunion travel for staff (home leave). The amount paid in 2014 was \$414, 451. The total costs in the budget (line 1.4 SCAF 12R) is \$545,955 and the additional costs are those benefits costs not included in the BaS for rental allowance. This amount in one sense is a saving as it is not paid to the FAO however, as discussed above the costs of the staff salary benefits and services would remain the same and as such these costs would still need to be covered. If the new scheme of staff salaries, benefits and allowances were adopted consistent with the

current IOTC arrangements or the WCPFC system then there costs would largely the same and as such would not constitute a saving.

There may be a tendency to argue that on a staff by staff basis there may be an actual saving as BaS was an average charge and this may well be the case at a specific point in time. However, and this is an important consideration; the current situation with staff and their entitlements to rent allowances and benefits only represents a snap shot in time and the actual costs will change as the staff profile and personal change over time.

While there is a view that the BaS would not be a saving if the conditions of service stay the same, it is true that applying actual and not average costs for professional staff and reviewing the conditions of service may result in costs savings. If the salaries and conditions are reviewed, saving could come from areas such as staff reunion/home leaves costs and health and medical costs.

### Taiwan Province of China (TPoC) contributions

Currently China assumes responsibility for a contribution of TPoC base contribution to the IOTC (\$12,681 in 2014). However this payment does not cover all the contributions that would accrue to TPoC if it was directly contributing to the IOTC for participation and for its catch on the same formulae as other members. The calculation by the IOTC for TPoC is that its assessed contributions would be \$316,340 based on the 2016 calculations. This being the case the funding that would accrue to the IOTC if TPoC were to contribute as a member or under another agreed arrangement would be around \$304,000 annually. While this is not additional funding to the overall budget it would reduce the contributions from other members.

### Are there other potential savings?

The other savings that might be harvestable by the IOTC if it were to become an independent organisation would probably come from the following sources:

- Reviewing the staff conditions of service and there may be savings that would flow from moving the staff reunion/home leave fares from business class to economy. The actual savings would depend on the alignment of staff at a particular time but it might be substantial but keep in mind business class only applies over 12 hours; and
- Contracting travel booking outside the FAO framework or booking internally may be a saving

### Observations on Costs

If we do not include the IT Manager as an additional cost in an independent IOTC model, then the costs and savings would accrue as described in Table 8

Table 8: Savings and Costs of an independent model

Costs Item	Cost	Savings Item	Savings	Other funds
Additional IT costs (software, systems etc)	\$50,000	ICRU	57,047	\$304,000 (TPoC)
Rent and education allowances fro locally engaged professional staff	\$45,000	PSC	133,924	

Audit costs	\$35,000			
Legal Services costs	\$50,000			
Total	180,000		190,971	304,000
Financial Benefit				\$314,971 (pa)

*As can be seen above apart from the initial start-up costs of establishing an independent organisation, if you were to remove the IT Manager position from the calculations and add in the savings and the assessed contributions from TPoC the financial benefit to the IOTC would be in the order \$315,00 annually.*

*This benefit does not include the savings that could be made in improved travel bookings and a review of conditions of service or by applying actually instead of average charges to the staff in the IOTC.*

Therefore there are financial benefits in moving to an independent model and the question is whether these financial benefits and the benefits that accrue to an independent RFMO outweigh the benefits of remaining an Article XIV organisation of the FAO.

### **The benefits accruing from an independent IOTC**

As the difference in the costs of staying or going is largely irrelevant then the discussion could then revolve around then benefits that would accrue from this new arrangement. The benefits would seem to be as follows:

- Independence and the control and flexibility to make your own decisions, control your own finances and to decide your own destiny within the bounds of a new convention.
- A stronger sense of ownership of the IOTC by the members as it is their own organisation
- Control over the appointment of the Executive Secretary and key staff in the IOTC
- Capacity to deal with all entities fishing in the Indian ocean including TPoC.
- More direct control over financial management and the payment of accounts and entitlements
- Actual instead of average charges for staff conditions of service
- Greater transparency and understanding of the costs associated with running a tRFMO
- Annual auditing and reporting on accounts
- A new modernized Convention that reflects the UN Fish Stocks Agreement including the flexibility to include fishing entities
- Ability to negotiate with governments and donors and sign agreements for funds
- Greater control over contracting and project management
- Improved ability to generate external income for projects.

These are the main benefits that would flow from establishing the IOTC as an independent organisation. Some would argue that some of these benefits are in part already available to the IOTC under the current arrangements with the FAO. However, it would also be arguable that independence gives you greater scope to deal with all issues of relevance to the IOTC and in a sense if all of the IOTC members are unhappy with the FAO relationship and the restrictions of the Article XIV arrangements then maybe leaving is the best outcome.

### **Are there any disadvantages in leaving the FAO?**

The benefits of an independent IOTC are listed above and to some members will be significant. Other members may want to know if there are possible disadvantages in leaving the current system. Under Option I Staying with the FAO, a number of benefits were listed that would remain if members elect to stay under the current arrangements. These were listed under Institutional, Administrative and Staff benefits and allowances. Of these the ones that seem to be the greatest loss in leaving the FAO are the institutional benefits that flow from the associated with the FAO and the safety net the broader FAO system provides particularly for developing countries and small island developing states (SIDS). Most of the administrative systems and staff benefits and entitlements can be recreated or even borrowed from other tRFMOs. As pointed out above however, the one disadvantage to staff will be in the loss of access to the UNJSPF as the conditions that flow from access to this fund cannot be purchased from private fund.

The institutional benefits that flow from being and Article XIV body of the FAO include:

- A safety net when working in the field and in particular in difficult security circumstances. The FAO has regional and country offices that can assist in communicating with members, delivering assistance with activities in member countries and provide support with duty travel of staff as well as members.
- A safety net for developing countries who feel that being of the FAO provides them with level of support and protection when dealing with developed countries. This sentiment is expressed in the 2007, G77 letter to the FAO. However, in reality it may be delicate for the FAO to interfere in bilateral issues amongst members.
- The FAO can and does act as an intermediary with member and non-member countries over issues such as non-payment of fees and non-engagement.
- The FAO system now provides specialist services in security assessment and security training.

The members of the IOTC will need to consider these benefits and determine their importance.

## Chapter 9: Conclusions

While the cost differential in staying as an Article XIV body of the FAO or leaving and becoming an independent organisation is not significant, there are financial benefits in the order of \$315,000 that would flow to an independent IOTC and this is without other savings that might flow from further review of conditions and travel. Apart from the initial startup which may be significant but are “one off” costs the ongoing costs will be largely the same and may vary depending on the actually approach taken with the staff profile for IT, finance and HR and the salaries, benefits and entitlements granted to staff in an independent model.

Noting then that there are financial benefits, the final decision by members and the FAO can then be taken also on the benefits that exist from staying with the FAO or in becoming a new independent organisation. There are benefits under both systems and they need to be carefully weighed in taking a final decision. The final decision taken will need to be by consensus and all members will need to be comfortable with any change.

The report provides three options, (1) stay with the FAO under the current arrangements, (2) stay with the FAO with improved autonomy and independence and (3) leave the FAO and create an independent tRFMO. In finalizing this report and considering all the costs and benefits at the end of the day it is probably that only 2 real options exist for the IOTC.....to stay or to go. In reality the second option described above may not have the flexibility to deal with the issue of TPoC and will not take away the concerns some IOTC members have about costs and transparency in the FAO relationship. As such Option 2 while useful to consider may only become a distraction and delay the inevitability of the IOTC members making a decision to stay or to go.

There are two scenarios that members might well consider in detail in arriving at a final destiny and they are:

- The IOTC is a small part of a larger FAO and to keep the IOTC in perspective within the FAO system; the IOTC has legal and administrative rights and responsibilities that accrue through Article XIV association under the FAO constitution. The IOTC has 15 staff and an annual budget of \$3 million. The FAO is a major UN organisation with 186 member countries, an annual budget of \$1.2 billion USD, some 4,200 staff including full-time and project staff and at any time manages around 3,500 projects. This being the case the FAO has responsibility for the IOTCs staff and financial management to ensure that it is consistent with the FAO rules and regulations and as such has limited flexibility in what it will be finally prepared to offer in terms of further autonomy; and.
- There are four other tRFMOs who all exist and function very professionally and effectively outside of the FAO system. They all retain very good working and professional relationships with the FAO. There is no reason why the IOTC cannot do the same. The flexibility, responsibility and sense of control that comes from a shift to independence may well reinvigorate the IOTC. The financial and other benefits that accrue to an independent IOTC are considerable and should be carefully evaluated.

In addition to the above in any consideration of change the following should be guiding principles:

- 1 Should the IOTC decide to stay with the FAO then it is important that all of the existing issues that currently place a strain on the relationship between the IOTC and the FAO are dealt with in an orderly and professional manner. As with a number of the other organisations studied as part of this review it may be useful to develop a very clear MoA that accurately explains the relationship and the responsibilities that both agencies have to maintaining a strong professional working relationship.
- 2 Should the IOTC decide to leave the FAO it will be important that this change has universal support from the members of the IOTC and that the change is supported by the Executive of the FAO. For such a change to be successful it will need to occur through a mature and professional

discussion and be guided by the legal opinion of the FAO as to the best course of action to be followed.

The following quote comes to mind at times like this *"I can almost hear the ticking of the second hand off destiny"* General Douglas MacArthur.

Good luck

October 2007



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## COMMITTEE ON CONSTITUTIONAL AND LEGAL MATTERS

### Eighty-second Session

Rome, 25-26 October 2007

**REPORT OF THE INFORMAL GROUP OF LEGAL EXPERTS ON  
THE PROCESS FOR A CHANGE IN THE NATURE OF A  
STATUTORY BODY UNDER ARTICLE XIV OF THE FAO  
CONSTITUTION INTO A BODY OUTSIDE THE  
FRAMEWORK OF FAO  
(POSSIBLE CHANGE IN STATUS OF THE  
INDIAN OCEAN TUNA COMMISSION)**

1. A meeting of the Informal Group of Legal Experts on the process of a change in the nature of a statutory body under Article XIV of the FAO Constitution into a body outside the framework of FAO (Possible change in the status of the Indian Ocean Tuna Commission), hereinafter referred to as the Informal Group, was held in Rome on 23 and 24 October.

2. The list of participants is given in Appendix II hereto.

3. The Informal Group elected Mr. M. K. Rao (India) as Chairperson.

4. The Informal Group was convened in accordance with a decision of the Council of FAO at its Hundred and Thirty-second Session held in Rome from 18 to 22 June 2007. The Council examined the report of the Committee on Constitutional and Legal Matters which, at its Eighty-first Session in April 2007 had examined a document entitled "*process for a change in the nature of a statutory body of FAO established under Article XIV of the*

*Constitution into a body outside the framework of FAO (change in status of the Indian Ocean Tuna Commission".* The CCLM could not reach a conclusion on options under discussion. The Council endorsed the conclusions of the CCLM that the situation which had arisen was complex and unprecedented and, therefore, that it was essential to make a complete review of the matter, keeping in mind all the implications of any possible option, including the fact that any decision in that respect would set a precedent in international law impacting upon other organizations of the United Nations System. The Council endorsed the CCLM request that an informal group of legal experts of all the IOTC Members, CCLM Members, as well as representatives of relevant organizations of the United Nations System as appropriate, should examine the matter. The CCLM would subsequently review the work of the informal group and provide its advice to the Council.

5. The Council noted the concerns voiced during the debates regarding the efficiency and the effectiveness of IOTC which were the stated reasons for the process under way. The Council concluded that such concerns and reasons should be addressed, as a matter of priority, through discussions between the FAO Secretariat and concerned IOTC Members, and that the Secretariat would report on the outcome of such discussions to the CCLM and any other appropriate body.

6. The Informal Group had before it various documents and reports, including document CCLM/81/2, the report of the Eighty-first Session of the CCLM, the Report of the Hundred and Thirty-second Session of the Council, document CL132/LIM/4 providing information on developments subsequent to the CCLM session, including on the deliberations of the Eleventh Session of IOTC held in May 2007 in Mauritius.

7. The Group of 77 and China submitted to the Meeting a position paper (Appendix I forming an integral part of this Report), according to which they hold their view that if the IOTC Members could reach consensus on the withdrawal of IOTC from FAO, the below solution proposed by FAO is the only legally correct option in solving the issue of delinkage. They reiterated that the withdrawal procedure shall be in conformity with FAO Constitution and shall give each Member of IOTC the right to determine its course of action through national ratification procedures.

8. The Informal Group discussed the document prepared by the FAO Secretariat entitled "Supplementary Observations on the proposals for a change in the nature of the Indian Ocean Tuna Commission".

9. The FAO Secretariat reiterated its legal advice on the procedure for the removal of IOTC from the framework of FAO involving the convening of a conference of plenipotentiaries for the adoption of a new agreement, the implementation of a

simultaneous process of withdrawal and termination of the existing agreement and acceptance of a new agreement, as well as the implementation by FAO of such transitional arrangements as required if the Members so wished. While the process could take some time, inconveniences would be minimized by the operation of IOTC by FAO during the interim period and the implementation of transitional measures. If there was indeed consensus as to the removal of IOTC from the framework of FAO there was no reason to consider that the process of entry into force of the new agreement would be a lengthy one.

10. In presenting its legal advice, the FAO Secretariat recalled that the IOTC Agreement was not a "stand alone" agreement. It had been concluded by the Council of FAO and placed by the Members within the framework of FAO, an organization of the United Nations System. It was operated under that framework and through FAO. The change in status of the IOTC concerned FAO as a whole and had to be handled as the establishment of a new entity. No procedure had been foreseen, either in the constituent agreement or in the Basic Texts to handle the situation, and the matter could concern potentially other agreements not only within FAO, but also within other organizations of the system. It was essential that the matter be addressed in a proper legal manner, also in order to ensure clarity in the future situation of IOTC in the interest of all concerned parties. Through the proposed procedure every sovereign Member of IOTC, irrespective of its status, would be able to make a determination as to the course of action that it wished to take and this would be materialized through an instrument of withdrawal of the existing agreement and acceptance of the new one. Furthermore, the FAO Secretariat stressed that this procedure was based exactly on the same principles as were followed when agreements outside FAO were brought within the framework of FAO under Article XIV of its Constitution.

11. The FAO Secretariat also recalled that the amendment procedure of Article XX of the IOTC Agreement had an inherent limitation as it could only concern amendments to an agreement within the framework of FAO and retaining that character, and an amendment procedure designed to allow for the modification of an agreement within FAO could not be used to establish a new agreement outside the framework of FAO and set up a distinct legal entity. This was the use of a procedure for a purpose other than that for which it was designed.

12. Subsidiarily, the FAO Secretariat pointed out that it was proposed to follow a simplified amendment procedure applicable to routine, technical amendments not involving new obligations. It recalled, in this connection, that the criteria formulated by its Governing Bodies for determining whether or not amendments involved new obligations had been applied out of context, since they were never formulated for a situation as the one at hand. The proposed amendments seemed to involve indeed new obligations, as confirmed, inter alia, by the need for internal ratification

procedures that some countries have to follow and which defeated the very purpose of the process under way.

13. The legal experts of the European Community stated that the following option could be considered:

14. Under this option the IOTC was free to amend the IOTC Agreement under Article XX (4) of that Agreement in order to move the organization out of the FAO framework. This view emphasized the sovereign right of Contracting Parties to an international agreement to interpret, apply and amend the agreement within the limits laid down therein. Therefore, it is the sole right of the Contracting Parties to IOTC to interpret the meaning of Article XX of the IOTC Convention and in particular of the notion "amendments not involving new obligations". There is nothing in the IOTC Agreement or in the FAO Constitution or Rules which would impair the IOTC members' rights to amend the IOTC Agreement under Article XX (4) in order to delink the IOTC from FAO considering that such amendment does not involve new obligations.

15. Furthermore, no legal texts contain provisions which limit the use of the simplified amendment procedure to routine, technical amendments. Finally, ratification requirements under domestic law have no bearing on the interpretation of provisions of the IOTC Agreement.

16. The fact that IOTC has administrative links with FAO does not prevent the change of status through an amendment of the IOTC Agreement. However, the existence of those links necessitates the involvement of FAO in the process, in particular through the conclusion of an agreement between FAO and IOTC in which transitional administrative arrangements in relation to the change of status are made.

17. The advantage of this procedure is that no new agreement has to be concluded nor a new legal body to be established. Therefore, it avoids a lengthy negotiating and ratification procedure with grave risks for the effective conservation of tuna species in the Indian Ocean.

18. The Group of 77 and China considered that the above, presented from paragraphs 14 to 17, did not constitute a valid option.

19. The Informal Group took note of the position paper the Group of 77 and China States Members of IOTC declaring, inter alia, their commitment to address actively the issue of the efficiency and effectiveness of IOTC within the framework of FAO. The Informal Group also noted that many participants had made repeated statements that this should be done as a matter of urgency. The Informal Group noted that the FAO Secretariat will be holding discussions with all concerned IOTC Members in order

to devise an appropriate formula for improving the efficiency and effectiveness of IOTC for consideration by the IOTC at its forthcoming session.

**Appendix I**

**Informal Group of Legal Experts on change in the nature of a  
statutory body under Article XIV of the FAO Constitution into a  
body outside the framework of FAO (Possible change in the status  
of the Indian Ocean Tuna Commission)**

**Position of the G-77 and China States Members of IOTC**

1. The Group of 77 and China, Rome Chapter (G-77) Members of IOTC support the proposal of the FAO secretariat to the 81<sup>st</sup> Session of the Committee on Constitutional and Legal Matters regarding the process for a change in the status of the Indian Ocean Tuna Commission should the Members wish that IOTC be removed from the framework of FAO. They note that there is clearly no consensus as to whether IOTC should be removed from the framework of FAO.
  
2. For the G-77 Members of IOTC the change in the nature of IOTC as a statutory body of FAO into a body outside FAO cannot be treated as a mere amendment to the existing IOTC Agreement. It should involve the convening of a conference of plenipotentiaries for the adoption of a new IOTC agreement; the implementation of a concomitant process of withdrawal and termination of the existing agreement and, more importantly, the entry into force of the new agreement through the deposit of instruments to that effect by each Member. The G-77 Members of IOTC emphasize that a process along such lines safeguards the right of each sovereign State, irrespective with its size, status, stage of development or nature, as coastal or non coastal State, and in accordance with the principle of sovereign equality of the United Nations, to make a determination as to the course of action that it wishes to take. They note that under this scheme FAO could implement such transitional arrangements as required thus allowing IOTC to operate smoothly during the interim period.
  
3. The G-77 Members of IOTC also hold the view that a qualification of the proposed amendments as not involving new obligations is erroneous and not in accordance with the criteria established by the Governing Bodies of FAO, which are being used out of context, as confirmed by additional research. They hold the view that obligations of the legal

personality of FAO will have to be borne by the members. The G-77 Members of IOTC note, furthermore, that a number of Members have indicated that the proposed amendments need to be referred for internal ratification procedures which are incompatible with the process of adoption of amendments not involving new obligations.

4. In conclusion, the G-77 Members of IOTC support the approach which gives each Member the right to determine its course of action through national termination and ratification procedures. This is a legally correct approach, based on applicable principles of international law, past practice of FAO and is consistent with the status of IOTC as a statutory body of FAO. It is furthermore a solution that will avoid setting a negative precedent for the United Nations System.
  
5. The G-77 Members of IOTC are mindful that the meeting of the Informal Group deals with legal issues only regarding the process for the change in nature of IOTC. They cannot lose sight of the policy implications of the process under way and, in this context, wish to emphasize three points.
  - 5.1. The Council at its session of June 2007 took note of the concerns voiced regarding the efficiency and effectiveness of IOTC which were the stated reasons for the process under way. The Council concluded that such concerns and reasons should be addressed through discussions between the FAO Secretariat and concerned IOTC Members, and that the Secretariat would report on the outcome of such discussions to the CCLM and any other appropriate body. The G-77 Members of IOTC note that because of constraints associated with this particular period of a Conference year, it has not been possible to hold such discussions, **but urge the Secretariat and all IOTC Members concerned to initiate them as soon as possible.** They note that informal arrangements within IOTC were developed a few years ago and believe that there might be room for improvement of such arrangements.
  
  - 5.2. The G-77 Members of IOTC view with concern a proposal which, although presented as a means of improving the efficiency and effectiveness of IOTC, would in fact place the high value Indian Ocean Tuna stock under the direct control of a limited number of Members carrying out large-scale operations in the region. They note that a commission outside the United Nations System would not offer the same guarantees of sovereign equality of all Members, independence, impartiality, objectivity and multilateralism.

5.3. The G-77 Members of IOTC consider that their participation in the meeting of the Informal Group, as well as their proposals regarding the process to be followed, are without any prejudice to their position of principle that they do not wish IOTC to be removed from the framework of FAO and that any concerns regarding the efficiency and effectiveness of IOTC must be addressed under its current status.



3. The implementation of these actions is related to another action, IPA action 3.17, which reads:

*“Review treaties, conventions, agreements and similar bodies and instruments established under articles VI, XIV and XV of the FAO Constitution with a view to their developing a greater degree of self-funding from their members (see also 2.69). Present report to Council and reports to the parties to the agreements”.*

4. In parallel with the activities called for by the IPA, an independent evaluation of FAO’s Work on International Instruments has been carried out recently<sup>1</sup>. Without specifying the nature of the initiatives to be implemented by FAO, the Evaluation recommended that the Organization should, in respect of future agreements to be negotiated, make efforts to clarify the extent and nature of the relations between FAO and the instrument under negotiation or the body being established. In respect of existing agreements already in force, the Evaluation recommended that FAO should take suitable positive initiatives to settle “*issues of autonomy*”<sup>2</sup>, but did not provide guidance on the substance of the initiatives to be implemented.

5. During its deliberations, the Programme Committee, at its Hundred and first session in May 2009, “*underlined the importance of the review being undertaken as foreseen in the IPA (action 2.69) aimed at addressing issues regarding autonomy of statutory bodies, with particular reference to Article XIV bodies, placed under the framework of FAO and their relationship with FAO. The Committee noted that a paper would be submitted later in 2009*”.

#### **PRELIMINARY OBSERVATIONS REGARDING THE SCOPE OF THE REVIEW**

6. It is necessary to address issues of a preliminary and methodological nature to clarify the scope of this review.

##### **A. Statutory bodies covered by this review**

7. The IPA makes a generic reference to statutory bodies and singles out “*statutory bodies, conventions, treaties, Codex, etc...*” In addition, the IPA actions refer to bodies established under Articles VI, XIV and XV of the Constitution. It would therefore be useful to seek to clarify the scope of this review in light of these references.

8. For many years, reference has been made in FAO’s practice to a loose and somewhat broadly defined concept of “*statutory bodies*”. This concept of statutory body used to be very inclusive, consisting of all “*bodies*” of the Organization. The Governing Bodies, a definition of which is to be inserted in the Basic Texts<sup>3</sup>, used to be considered a sub-set of the “*statutory bodies*”.

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<sup>1</sup> Evaluation of FAO’s Work on International Instruments, PC 101/5(a).

<sup>2</sup> PC 101/5a, recommendation 4.2. Management accepted this recommendation insofar as the recommendation concerned Management itself and made the following observations. First, “*as regards the need for a precise delineation of the linkage of the instrument to FAO, this is certainly important and desirable. But the nature of the linkage is, to a large extent, a matter for negotiation which may not conform to a pre-established uniform pattern*”. As to the second recommendation, concerning existing agreements, “*Management agrees with the need to solve ‘autonomy issues’ as an ongoing and ‘affirmative process’ and is committed to solving these issues insofar as this is possible within the framework of the Organization. A review of the matter has been requested under the IPA. Management regrets that the evaluation did not provide further guidance on this important and complex matter*”. (PC 101/5(a) Sup. 1. Evaluation of FAO’s work on International Instruments – Management response, page 11.)

<sup>3</sup> The proposed definition that should be adopted at the forthcoming session of the Conference is as follows: “*The Governing Bodies are the bodies which directly or indirectly through their parent bodies contribute within their respective mandates to (a) the definition of the overall policies and regulatory frameworks of the Organization; (b) the*

9. The generic expression “*statutory bodies*” continues to be used and includes a large number of committees and commissions established under Article VI or Article XIV of the Constitution, dealing for the most part with technical and scientific matters. In future, it could be considered that statutory bodies will be all bodies of the Organization which are not Governing Bodies. As a general rule, bodies established under Article VI are part of the Organization. They do not have “*a life of their own*”. **With the notable exception of the joint FAO/WHO Codex Alimentarius Commission, which tends to be in a category of its own and to which some references will be made in this review, bodies established under Article VI will remain outside this review.** These bodies do not have a life of their own and, from a legal and institutional point of view, are fully integrated within FAO (the Appendix to this document contains a table highlighting the distinction between bodies established under Article VI and Article XIV).

10. **This preliminary review therefore concerns primarily bodies created by convention or agreement under Article XIV<sup>4</sup>.** Still some of its observations could be of some relevance to

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*establishment of the Strategic Framework, the Medium-Term Plan and the Programme of Work and Budget and exercise or contribute to the oversight of the administration of the Organization. The Governing Bodies comprise the Conference, the Council, the Programme Committee, the Finance Committee, the Committee on Constitutional and Legal Matters, the Technical Committees (i.e. Committee on Commodity Problems, Committee on Fisheries, Committee on Forestry, Committee on Agriculture, Committee on World Food Security) and the Regional Conferences (i.e. for Africa, Asia and the Pacific, Europe, Latin America and the Caribbean, and the Near East)”.*

<sup>4</sup> Article XIV of the FAO Constitution reads as follows:

1. *The Conference may, by a two-thirds majority of the votes cast and in conformity with rules adopted by the Conference, approve and submit to Member Nations conventions and agreements concerning questions relating to food and agriculture.*

2. *The Council, under rules to be adopted by the Conference, may, by a vote concurred in by at least two thirds of the membership of the Council, approve and submit to Member Nations:*

*(a) agreements concerning questions relating to food and agriculture which are of particular interest to Member Nations of geographical areas specified in such agreements and are designed to apply only to such areas;*

*(b) supplementary conventions or agreements designed to implement any convention or agreement which has come into force under paragraphs 1 or 2 (a).*

3. *Conventions, agreements and supplementary conventions and agreements shall:*

*(a) be submitted to the Conference or Council through the Director-General on behalf of a technical meeting or conference comprising Member Nations, which has assisted in drafting the convention or agreement and has suggested that it be submitted to Member Nations concerned for acceptance;*

*(b) contain provisions concerning the Member Nations of the Organization and such non-member States as are members of the United Nations, any of its specialized agencies or the International Atomic Energy Agency, and regional economic integration organizations, including Member Organizations, to which their Member States have transferred competence over matters within the purview of the conventions, agreements, supplementary conventions and agreements, including the power to enter into treaties in respect thereto, which may become parties thereto and the number of acceptances by Member Nations necessary to bring such convention, agreement, supplementary convention or agreement into force, and thus ensure that it will constitute a real contribution to the achievement of its objectives. In the case of conventions, agreements, supplementary conventions and agreements establishing commissions or committees, participation by non-member States of the Organization that are members of the United Nations, any of its specialized agencies or the International Atomic Energy Agency or by regional economic integration organizations other than Member Organizations, shall in addition be subject to prior approval by at least two-thirds of the membership of such commissions or committees. Where any convention, agreement, supplementary convention or agreement provides that a Member Organization or a regional economic integration organization that is not a Member Organization may become a party thereto, the voting rights to be exercised by such organizations and the other terms of participation shall be defined therein. Any such convention, agreement, supplementary convention or agreement shall, where the Member States of the organization do not participate in that convention, agreement, supplementary convention or agreement, and where other parties exercise one vote only, provide that the organization shall exercise only one vote in any body established by such convention, agreement, supplementary convention or agreement, but shall enjoy equal*

bodies under Article VI, especially the Codex Alimentarius Commission, although this review does not focus on these bodies.

**B. General characteristics of bodies under Article XIV of the Constitution**

11. Article XIV makes provision for the negotiation within meetings convened by, or on behalf of the Director-General and the subsequent adoption by the Conference or the Council of conventions and agreements. These instruments are said to have a “*life of their own*” and usually provide for obligations extending beyond those set out in the Constitution and the other Basic Texts of FAO. For instance, these bodies may adopt regulatory measures directly binding upon the Members and may have autonomous budgets. One body established under Article XIV is financed entirely by contributions of Members, whereas in the case of another body, the financial contribution of FAO is of a residual nature. The secretaries of some of these bodies are appointed by the Director-General in consultation with or with the agreement of Members and, in a few cases, although they are ultimately appointed by the Director-General, the secretaries are elected by Members. In some cases, the bodies in question approve their budget and the programme of work and the secretaries are directly accountable to the Members for the execution of the budget and the work programme. It has generally been considered that these bodies have functional autonomy.

12. The degree of autonomy enjoyed by them depends upon the above factors with particular reference to the funding modalities. Although the conventions and agreements are negotiated “within” FAO and are approved ultimately by the Conference in the case of universal conventions or by the Council as regards regional agreements, in general they are brought into force through acceptance or ratification procedures by individual States or regional economic integration organizations eligible to become parties thereto.

13. On the other hand, the conventions and agreements are placed under the framework of FAO and retain very close links with the Organization, even in situations where the bodies which they establish enjoy considerable autonomy. There are several manifestations of this situation. Membership is open only to Members of FAO or of the United Nations, its Specialized Agencies or the International Atomic Energy Agency. The bodies may adopt and amend their own Financial Regulations provided that these are consistent with the principles embodied in the Financial Regulations of FAO. The Financial Regulations are to be reported to the Finance Committee which may disallow them, or amendments thereto, if they are inconsistent with the principles of the Financial Regulations of FAO. Contributions, either to the budget or for any other activities, are to be paid into a trust fund managed by the Organization in accordance with the financial procedures of the Organization. The constituent instruments of the bodies do not entrust them with legal personality, i.e. capacity to hold rights and obligations in their own right

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*rights of participation with Member Nations parties to such convention, agreement, supplementary convention or agreement;*

*(c) not entail any financial obligations for Member Nations not parties to it other than their contributions to the Organization provided for in Article XVIII, paragraph 2 of this Constitution.*

*4. Any convention, agreement, supplementary convention or agreement approved by the Conference or Council for submission to Member Nations shall come into force for each contracting party as the convention, agreement, supplementary convention or agreement may prescribe.*

*5. As regards an Associate Member, conventions, agreements, supplementary conventions and agreements shall be submitted to the authority having responsibility for the international relations of the Associate Member.*

*6. The Conference shall make rules laying down the procedure to be followed to secure proper consultation with governments and adequate technical preparations prior to consideration by the Conference or the Council of proposed conventions, agreements, supplementary conventions and agreements”.*

and, therefore, they have to act through FAO or draw on its legal capacity as confirmed by a review of the matter by the Council<sup>5</sup>. The secretary and the staff of these bodies are officials of FAO appointed by the Director-General and subject to the Staff Regulations and Rules of the Organization. Their work relationship is with the Organization, which is the respondent party should any staff member decide to file a complaint arising from the working relationship with FAO. The Director-General, as the legal representative of FAO, may have to respond for any legal liabilities arising from the functioning of the bodies, without prejudice to the fact that any financial liability should be charged to the budget of the body. The bodies benefit from a comprehensive set of facilities, privileges and immunities, and are bound by inherent obligations that are attached to the status of FAO, as provided for in a number of multilateral and bilateral instruments, in particular the Convention on the Privileges and Immunities of the Specialized Agencies of 21 November 1947, as well as a network of bilateral agreements between FAO and countries which have supplemented the rights and obligations established in that Convention in the countries concerned.

14. Conventions and agreements established under Article XIV have a hybrid nature. They are clearly treaties under international law in which the Parties play a major role; on the other hand these treaties are placed under the framework of FAO and operate through FAO<sup>6</sup>. This position which gave, on occasion, rise to some discussion is confirmed by past practice of the Organization<sup>7</sup>. In particular, the position was restated recently in the context of submissions to the CCLM and Council in connection with the Indian Ocean Tuna Commission and followed by the Parties to the Agreement establishing the Commission. The purpose of this review is not to examine the nature of the conventions and agreements placed under the framework of FAO but rather to identify how some of the bodies operating currently under this framework or which could be established under this framework could be entrusted with additional administrative and financial autonomy. However, these developments are essential in order to understand the status of the bodies and the legal context in which they operate.

15. **This review will concentrate on conventions and agreements concluded under Article XIV which, by virtue of their provisions, enjoy a substantial measure of autonomy. The review will address existing conventions or agreements as well as potential future conventions and agreements that might be established within the framework of FAO.** As indicated above, commissions and committees established under Article VI of the Constitution are, as a matter of principle, outside the scope of this review except in the particular situation of the Codex Alimentarius Commission.

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<sup>5</sup> CL 127/REP, paragraph 90.

<sup>6</sup> Article 5 of the Vienna Convention on the Law of the Treaties is entitled "*Treaties constituting international organizations and treaties adopted within an international organization*" and reads as follows: "*The present convention applies to any treaty which is the constituent instrument of an international organization and to any treaty adopted within an international organization, without prejudice to any relevant rules of the organization*". As it appears from the preparatory work of the International Law Commission, treaties concluded within international organizations must to a large extent be considered a category of their own and while the freedom of the negotiating States should be preserved, the main stages of the life of such treaties are considered matters for the organizations, as these treaties are normally the work of the organizations.

<sup>7</sup> The Secretariat prepared two long documents some two years ago which researched this complex matter including from the perspective of the origin of conventions and agreements concluded under Article XIV of the Constitution. These documents were: "*Process for a change in the nature of a statutory body of FAO, established under Article XIV of the Constitution, into a body outside the framework of FAO (change in status of the Indian Ocean Tuna Commission)*", CCLM 81/3; and "*Supplementary Observations on the Proposals for a Change in the Status of the Indian Ocean Tuna Commission*", IOTC/REV.1 for the Informal Group of Legal Experts on the Process for a Change in the Nature of a Statutory Body under Article XIV of the Constitution into a Body Outside the Framework of FAO (Possible Change in the Status of the Indian Ocean Tuna Commission).

16. Finally, Article XV, paragraph 1 of the Constitution provides that “*the Conference may authorize the Director-General to enter into agreements with Member Nations for the establishment of international institutions dealing with questions relating to food and agriculture*”. This provision has not been implemented for the past fifty years and there is currently no international institution established thereunder. In addition, it does not seem that there is a clear idea of how this provision would operate in future. Therefore, what could be the bodies set up under Article XV is also outside the scope of this review.

**C. Need for an administrative determination of statutory bodies which would be eligible for the facilities foreseen in this review**

17. When defining the scope of this review it is also important to keep in mind that there will be a need to make a determination on the basis of the provisions of the constituent instruments of each body, its operating features and the views of the Members, as to whether the relevant body should be able to exercise greater financial and administrative authority. There would seem to be a need to determine on a case-by-case basis whether particular claims for increased autonomy are legitimate ones, are a result of the views and needs of the membership and, in general, are justified in the light of the functional requirements of the bodies in question and not, as an example, a request originating within the secretariat.

18. This seems to be confirmed by the text of IPA action 2.69 which does not refer to all statutory bodies, but instead makes a specific reference to the statutory bodies “*that wish to exercise greater administrative and financial autonomy*”.

**19. The determination of bodies that could be entrusted with greater administrative and financial authority would be a matter for managerial judgment, taking into account primarily the views of the Members, the nature of the activities exercised and the status of the bodies in question especially as regards the issue of whether the body is financed entirely by autonomous budgets. There would be a need to determine which bodies would be eligible for the facilities proposed in this document<sup>8</sup>.**

**D. Principles and Procedures which should govern conventions and agreements concluded under Articles XIV and XV of the Constitution and Commissions and Committees established under Article VI of the Constitution – Part R of the Basic Texts**

20. Issues regarding the relationship between statutory bodies, especially bodies under Article XIV and the Organization, and the need to reconcile functional autonomy and the fact of being placed under the framework of FAO are not new and go back to the early fifties when the Governing Bodies expressed concern about the issue. This resulted in the adoption by the Conference in 1957 of “*Principles and Procedures which should Govern Conventions and Agreements concluded under Articles XIV and XV of the Constitution and Commissions and Committees established under Article VI of the Constitution*”. The Principles were amended on a few limited occasions, notably in 1991 with a view to entrusting some bodies, especially bodies with autonomous budgets, with greater administrative autonomy<sup>9</sup>.

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<sup>8</sup> There is an obvious risk that statutory bodies and secretaries of these bodies might wish to benefit from a more favourable regime without justification.

<sup>9</sup> The Conference, at its Twenty-sixth Session in 1991, noted that a number of developments had taken place, both in the Organization and more generally on the world scene, that called for a review of the provisions of Part R of the Basic Texts with the aim of introducing greater flexibility. Among these were the establishment of commissions in accordance with Article XIV, with independent budgets financed directly by the parties to the agreement outside the framework of the Regular Programme of the Organization. Moreover, other commissions now under consideration and, in particular, regional fishery commissions in light of the changes in the Law of the Sea, should be given a broader

21. As a result of the current review there might be a need to amend some of these Principles. **Some amendments are mentioned in this document, whereas other amendments might be the result of the process of review of this document. It is proposed that these amendments only be undertaken once the process of review of this document will have been completed and all actions to be implemented in that connection will have been identified.**

**E. Preliminary nature of this review**

22. **It should be emphasized that this document is of a preliminary nature.** It was drafted as a submission to the CCLM because, when reviewing issues of this nature in the past, there has always been a strong legal and institutional dimension and the matter has been considered as an element of the “*governance reform*” and has involved a large number of amendments to the Basic Texts.

23. However, the scope of the review extends well beyond the mandate of the CCLM and to a substantial extent concerns matters within the mandate of the Finance Committee. In addition some Technical Committees might be affected by this review, as well as some statutory bodies, in particular, bodies under Article XIV.

24. **The CCLM is invited to advise on which bodies, in addition to the Finance Committee, should consider this review given the wide range of issues of an administrative nature. Perhaps consideration could be given to referring the review to a number of concerned statutory bodies.**

**F. Differentiated nature of the recommendations of this review**

25. This review covers a range of issues brought to the attention of the secretariat in many ways (at the request of Members or the secretaries of statutory bodies or on the initiative of other units of the Organization) over the years. In some cases, some of the questions raised led to some discussion within the Governing Bodies of FAO. However, it should be stressed that the issues covered in this review are not of the same nature. Some of them may be changed through decisions entirely within the authority of the administration. In other cases, the implementation of proposals could raise issues of principle for FAO and its membership which would have to address them. In a few cases consultation with other agencies of the United Nations might be required. Some of the proposals might require suitable changes to the constituent instruments of the statutory bodies.

**G. Relationship between the current review and the process of introduction of International Public Sector Accounting Standards in FAO**

26. Similar to other organizations within the United Nations system, the Governing Bodies of FAO have mandated the implementation of International Public Sector Accounting Standards (IPSAS) at FAO. Progress reports on the IPSAS Project are being regularly provided to the Finance Committee.

27. IPSAS is a new set of international accounting rules and disclosure requirements for the preparation and presentation of financial statements aimed at ensuring more transparent and complete financial reporting, in line with international best practice. One of the features of IPSAS

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range of responsibility and increased authority. The Conference, at that time, agreed that it would be opportune and legally desirable to modify some of the Principles and hence some of the Principles were then modified.

is consolidation of financial statements. Consolidation is a process by which the financial statements of an organization are combined with those of its “*controlled entities*” or “*joint ventures*”, as if they were a single economic entity. The issue of what should be included when an organization prepares its consolidated financial accounts is critical because choosing to include or exclude certain entities can have an impact on the financial statements and the picture they provide of an organization’s finances. The financial presentation of certain entities is a visible indicator of an organization’s accountability in respect of the entities and obligations towards those entities.

28. This review concentrates on operational and legal issues. Despite this, many of the observations contained in this review will have a direct impact on indicators of control on the part of FAO and could provide evidence to determine whether a body under Article XIV of the Constitution is controlled by FAO and is to be included or excluded from FAO consolidated financial statements. It is therefore important that the CCLM should be aware that any decisions eventually taken from an operational or legal perspective could have a financial reporting impact. However, while linked to the decisions taken in the context of, or as a result of this review, the process of introduction of IPSAS will be carried out separately and will be reported to the relevant Governing Bodies with particular reference to the Finance Committee.

#### **POSSIBLE AREAS WHERE STATUTORY BODIES COULD EXERCISE GREATER ADMINISTRATIVE AND FINANCIAL AUTHORITY**

29. This section lists areas which have been identified as subject matters on which increased autonomy could be entrusted to statutory bodies and their secretaries. Possible solutions are outlined and the CCLM is invited to offer its views on the suggestions made and to advise whether matters should be pursued by other Governing Bodies of the Organization and the relevant statutory bodies.

##### **A. External relations**

30. In general the Principles provide in clear terms that the “external relations” of bodies under Article XIV are to be carried out in accordance with FAO’s procedures and guidelines. Thus, paragraphs 28 and 29 provide as follows:

###### *“Relations with international organizations*

28. *The relations between commissions or committees established under Article VI and other international organizations shall be governed by Article XIII of the Constitution and Rule XXIV.4 (c) of the General Rules of the Organization, as well as by the rules adopted by the Conference on the matter of relationship with international organizations. These provisions shall likewise govern the relations between commissions and committees established by conventions and committees under Article XIV of the Constitution and other international organizations.*

###### *Relations with governments*

29. *Commissions and committees established under Article VI and Article XIV of the Constitution should, in principle, not be empowered to enter into arrangements with governments which are not members of the commission or committee. When this, however, is found desirable, a specific provision shall be incorporated in the statutes, convention or agreement, as the case may be,*

*indicating the scope of such authority and specifying that all such arrangements shall be made by the Director-General of the Organization”*

31. Some secretaries, on the occasion of discussions at the statutory bodies, have at times drawn attention to the desirability that they should be entrusted with greater authority in handling relations with third parties, both in relation to attendance at external meetings and the negotiation and conclusion of arrangements.

(a) **Attendance at external meetings**

32. As regards attendance at external meetings, under a long standing policy followed by the Organization, all invitations should receive a single official reply from FAO<sup>10</sup>. Focal units have been established which are responsible for monitoring attendance at meetings organized by organizations or bodies falling under their respective areas of responsibility. A corporate database on external meetings has been developed and is centrally maintained. All invitations received should, under the responsibility of the lead or focal units, be immediately logged into the corporate database. After consultation with other concerned units at headquarters or decentralized offices, the proposals for FAO's attendance and the draft reply to the invitation are submitted to the Office of the Director-General for clearance or signature as appropriate. The Organization adheres strictly to a policy aimed at reducing staff travel and costs to the minimum possible and to ensure the representation of FAO at external meetings, wherever feasible, by officers based in decentralized and liaison offices. Proposals for attendance at external meetings which involve the travel of a staff member using Regular Programme funds are also submitted for approval by the Office of the Director-General.

33. Some related procedures are in force, although their implementation may not always be strictly followed. Thus, staff members designated to represent the Organization at a meeting where they have to take a stand on matters involving policy or financial decisions should have, before their departure from the office, a written brief on the position of FAO on the subjects to be discussed. Depending on the importance of the problems, it is for the Assistant Director-General concerned to decide whether this brief needs to be cleared at division director level, or at his/her own level, or whether special clearance should be sought from the Office of the Director-General. Documents or statements to be presented or delivered by staff members representing FAO at meetings of other organizations should be previously cleared with the Director of the relevant Division who, if need be, will refer them to the Assistant Director-General or to the Deputy Director-General. Finally, the official representing FAO at an external meeting should produce a report on the meeting for on-forwarding to the relevant focal point unit. This unit is required to send to the Office of the Director-General, with its comments, a copy of the reports having policy or financial implications.

34. The status of these instructions in respect of the secretaries of statutory bodies with autonomous budgets and enjoying substantial autonomy is uncertain. There were situations where these instructions were applied in respect of secretaries of these bodies, who raised objections. The Legal Office has been consulted in connection with these instructions.

35. The concerns underlying the instructions are important and should continue to apply throughout FAO to ensure that participation in external meetings is carried out in a fully coordinated and unified manner.

36. **However, it would be desirable to exclude from the scope of these instructions some statutory bodies, including bodies established under Article XIV and enjoying considerable**

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<sup>10</sup> Director-General's Bulletin N° 96/12 of 11 April 1996 as revised by Director-General's Bulletin N° 96/12 Corr. 1

**functional autonomy**<sup>11</sup>. In some cases, such statutory bodies are required, under their constituent instruments, to coordinate and liaise closely (at times conduct joint activities) with other organizations and executive secretaries are therefore expected to travel. In a number of situations, an allocation for travel is specifically provided for in the budgets of the bodies in question and the executive secretaries are required to provide information on the relations with outside bodies. The executive secretaries should also have the possibility to identify the officials under their authority who should be able to participate in external meetings.

37. **This might need to be reflected in the revised Principles currently set out in Part R of the Basic Texts.**

(b) **Conclusion of arrangements with other organizations and institutions**

38. The Organization has also adopted “*Policy guidelines on preparation, clearance and signature of agreements, memoranda of understanding and exchanges of letters*” currently set out in Director-General’s Bulletin N° 99/9 of 5 May 1999. These guidelines apply to all arrangements concluded with third parties except for contractual arrangements, trust fund agreements and donor agreements, including arrangements to be entered into in the context of technical cooperation projects executed under general donor agreements. The Director-General Bulletin used to provide for a two-step procedure for the conclusion of arrangements involving approval in principle by the Director-General, prior to the beginning of the discussions and the negotiation of agreements and also subsequent approval by the Director-General of these arrangements. A determination of the official who will sign the arrangements on behalf of FAO is made on that occasion.

39. Recently, as part of the streamlining of decision-making processes and delegation of authority exercised by the Director-General, Bulletin N° 99/9 of 5 May 1999 has been amended, in particular by eliminating the first step of the procedure involving approval in principle of the proposed arrangements. As regards the second procedural step, arrangements are to be reviewed by the Legal Office, which is currently preparing a note on the proposed arrangement for final approval by the Director-General.

40. It is proposed that, in the context of the review of these arrangements, appropriate rules be defined regarding autonomous bodies established under Article XIV. In this connection, the CCLM should note that at its Hundred and Twenty-seventh Session the Council endorsed the general lines of a procedure for the conclusion of agreements “*other than informal working arrangements*” by bodies under Article XIV, allowing these bodies to exercise a substantial measure of autonomy. Agreements should be reported to the Organization prior to conclusion with a view to ascertaining any possible policy, programme or financial implications for the Organization, in keeping with the spirit of Part R of the Basic Texts. The secretaries of the bodies could be authorized to sign the agreements which should make appropriate reference to the status of the bodies under Article XIV. The Council noted that, in reviewing any proposed agreements, FAO would take account of the functional requirements of the bodies concerned and would not interfere with their substance, except in the event that they should have policy, programme or financial implications for FAO.

41. At that time the Council requested the Organization to monitor the implementation of this procedure with a view to assessing whether amendments to Part R of the Basic Texts were required<sup>12</sup>.

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<sup>11</sup> A relaxation of these instructions insofar as they concern the Codex Alimentarius Commission would be justified.

<sup>12</sup> CL 127/REP, paragraphs 91 and 92.

42. The procedure recommended by the Council was generally implemented in respect of autonomous bodies in a flexible manner<sup>13</sup> but was not formalized in any document. Nor was a determination made as to whether there was a need to revise Part R of the Basic Texts.

43. **It is recommended that the procedure recommended by the Council be reflected in the Director-General's revised Bulletin N° 99/9. Subsequently, it is proposed to determine the extent to which it should be reflected in Part R of the Basic Texts.**

**B. Budgetary and financial issues**

44. For bodies established under Article XIV which have autonomous budgets, discussion has centred on budgetary and financial matters such as the calculation of standard costs and project servicing costs.

45. There have been extensive discussions on financial matters and, in particular, on the level of financial information made available to Members. As a general rule, the budgets of bodies under Article XIV take the form of a multi-donor trust fund into which mandatory contributions, established in accordance with a scale of assessments, are paid. However, financial reporting through standard procedures whereby financial reports are sent periodically to all donors has not been undertaken by the Finance Division, but through the secretaries of the bodies. This is usually done on the occasion of the sessions of the commissions when the new programme of work and budget is also adopted.

46. The membership of the bodies under Article XIV has often called for an improvement of the quality or the accessibility of the presentation of financial reporting. This would not seem to require any particular measures and could simply be achieved through increased collaboration between the secretaries of the bodies and the Finance Division.

47. In the same vein, references were occasionally made to late payments of assessed contributions which could have retained a link with calls for funds being made, in accordance with standard procedures, to administrations other than those involved with the technical bodies under Article XIV. This seems to be a matter to be settled through improved communication between the Finance Division and the secretaries of the concerned bodies.

48. **The CCLM is invited provide its views on how these issues could be addressed.**

**C. Human resources matters**

49. Issues related to human resources policies and rules have been extensively discussed. Bodies established under Article XIV as well as executive secretaries have, at times, questioned or enquired about human resources policies and rules. Members of commissions have queried some of the Organization's human resources policies and procedures in the context of extensive debates. This complex matter involves many dimensions and, in this review, it will be possible only to examine general aspects. The situation is also likely to evolve in future and in this review reference will be made to a few relevant parameters.

**(a) Staff in the Professional and higher categories**

50. Paragraph 32 (iii) of the Principles as revised by the Conference in 1991 provides that *"the Secretary of each body shall be appointed by the Director-General and shall be*

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<sup>13</sup> Also in consideration of the fact that it was possible to accommodate, on a case by case basis, some requests regarding agreements with third parties.

*administratively responsible to him. In the case of bodies referred to in paragraph 33 (c) [i.e. bodies that, in addition to being financed by the Organization, have autonomous budgets], the basic texts may specify that the Secretary shall be appointed by the Director-General after consultation with, or with the approval or concurrence of, the members of the body concerned”.*

51. In some cases the content of the above paragraph has been incorporated in the constituent instruments of bodies under Article XIV, and special procedures for the appointment of secretaries have been developed. Some of these procedures have involved the issuance of a vacancy announcement, usually approved by the relevant commission, a pre-screening of candidates carried out jointly by representatives of FAO and of members of the body, and eventual election by the members of the commission. The Council at its Hundred and Twenty-seventh Session in November 2004<sup>14</sup> reviewed these procedures and endorsed them. In general terms, the Council considered that insofar as there was full involvement of both the membership and FAO throughout the process of identification of the candidates, this particular procedure applicable to bodies under Article XIV was not objectionable.

52. As regards the selection and appointment of professional staff, the procedures of the field staff selection panel have generally been followed, and also in line with the general position that the bodies in question have the status of field projects, including those of field projects based at headquarters. The Organization was confronted with requests for an increased role by the secretary to be involved in the appointment of Professional staff. These requests have generally been accommodated under the selection procedures for Professional staff serving on field projects.

**(b) Staff in the General Service category**

53. The situation is different as regards General Service staff. In general, it has been a long standing policy of FAO that, in the case of “*field projects based at headquarters*”, General Service staff are subject to the same policies and procedures as General Service staff members assigned to other positions at Headquarters. Reservations in respect of this policy have been expressed. Secretaries of some bodies, at times supported by the relevant commission, have pressed for a deviation from established selection procedures on the grounds that, being accountable for the programme of work of the commissions, they should be able to select such qualified staff members as they deem fit. The applicability of redeployment procedures to bodies under Article XIV has also been questioned.

54. Despite these requests, standard policies and procedures have been applied. It would be difficult, including for personnel management reasons, to take a different approach with positions

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<sup>14</sup> It is worth recalling the content of the deliberations of the Council on that occasion: “93. The Council *recognized* that, in cases where the secretary of a body is appointed by the Director-General with the approval of the body concerned, the need arises to harmonize the requirements inherent in the status of the secretaries of functional autonomy and technical accountability towards the concerned bodies and of administrative accountability towards the Organization, as officials of FAO. The Council noted that the selection and appointment process cannot be seen as one including two parallel and independent segments consisting, on the one hand, in the identification of a candidate by the body and, on the other hand, his or her appointment by the Director-General who would be required merely to appoint the selected candidate, without any form of involvement in the process of identification of qualified candidates. The Council *stressed* that this would not be consistent with the applicable legal framework, including the constitutional duties of the Director-General in the selection and appointment of staff. 94. The Council *agreed* that the procedure adopted recently by the General Fisheries Commission for the Mediterranean (GFCM), at its Extraordinary Session (Malta, 19-23 July 2004), provided a legally acceptable solution for the appointment of secretaries of bodies under Article XIV of the FAO Constitution having autonomous budgets. The Council invited the Indian Ocean Tuna Commission (IOTC) to amend its Rules of Procedure, as far as the selection and appointment procedure of its secretary is concerned, along the lines of the procedure approved by the GFCM, on the understanding that the revised procedure would apply only in future” (CL 127/REP).

which involve a fairly high degree of “*interchangeability*”, such as positions in the General Service category. However, the situation could evolve and the matter might be pursued again in future by secretaries and by commissions under Article XIV.

55. In the event that similar requests were to be pursued, a possible course of action might involve considering, at least as a working hypothesis, that General Service staff members serving on some bodies under Article XIV financed by autonomous budgets could be selected under different rules.

56. The CCLM is invited to advise whether this matter should be examined further. It may need to be reviewed by the Finance Committee.

(c) **Contractual arrangements for personnel**

57. In the course of the preparation of this document, secretaries of bodies under Article XIV referred to the desirability of reconsidering approvals regarding recruitment of consultants and subscribers to Personal Services Agreements.

58. These observations are too specific, may be related to particular situations, and it is proposed that the Human Resources Division should maintain links with secretaries with a view to identifying any issues that would need to be addressed.

(d) **Other contractual arrangements**

59. Similarly, observations have been made in connection with standard terms of Letters of Agreement under Section 507 of the Administrative Manual. These are contractual arrangements between FAO and a “Recipient Organization” for the production of specific outputs. As a general rule, the Recipient Organization is a non-profit institution. Some of the standard conditions of the Letters of Agreement have been considered too restrictive. The matter seems to involve the conciliation of the overall financial accountability of FAO in respect of funds which it holds and the autonomy of the bodies. It is recommended that any concerns expressed be addressed through internal consultation.

**D. Channels of communication with Governments**

60. Sections 602 (Correspondence Handbook), 603 (Guidelines for the Preparation and Dispatch of Correspondence) and 604 (Protocol Forms of Address in Formal Correspondence) of the Administrative Manual contain detailed rules on correspondence. In particular, all correspondence with “*Cabinet Ministers or their equivalent, ambassadors, permanent representatives or heads of diplomatic missions*” is signed by the Director-General. Communications to executive heads of international organizations are also for signature by the Director-General. Special procedures apply to heads of decentralized offices and the Assistant Director-General, Technical Cooperation Department. “*Heads of decentralized offices are authorized to address correspondence to cabinet ministers, heads of diplomatic missions and officials of equivalent rank in their country/ies of accreditation* (Manual paragraph 602.4.15)”. In addition, “*the Assistant Director-General, Technical Cooperation Department, is authorized to address correspondence in the name of the Director-General to cabinet ministers or their equivalent, ambassadors, permanent representatives or heads of diplomatic missions on matters related to field projects*” (Manual paragraph 602.4.16)<sup>15</sup>.

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<sup>15</sup> The Assistant Director-General, Administration and Finance also signs a number of formal letters, notably requests for payment of assessed contributions.

61. There may be an objective need for statutory bodies – some of them entrusted with authority to adopt regulatory measures directly binding upon Members – to interact with heads of Government departments. Secretaries of statutory bodies are occasionally placed in embarrassing situations in light of the above rules and this issue has been referred several times to the Legal Office. They may need to liaise with Cabinet Ministers in some situations. Often such liaison, including the dispatch of letters, is done through the Chairperson of the statutory body but this may not be a satisfactory situation.

**62. It is suggested that special rules and criteria regarding official correspondence be applied by secretaries of bodies under Article XIV. The extent to which such rules would also apply to the secretaries of other statutory bodies would also be determined on that occasion.**

**E. Relations with donors**

63. The Technical Cooperation Department has overall responsibility for the operational activities of the Organization. This Department, mainly but not exclusively through the Field Programme Development Service (TCAP), supports the development of FAO's field and normative activities through resource mobilization by delivering (i) donor liaison and programming services, (ii) information services on extra-budgetary activities and donor policies, and (iii) advisory support to resource mobilization activities by decentralized offices at regional and country level. Areas of competence include all funding from donor government agencies, multilateral agencies and Unilateral Trust Fund donors. On the basis of applicable procedures the Assistant Director-General, Technical Cooperation Department has authority to sign donor agreements.

64. Some statutory bodies established under Article XIV enjoy considerable autonomy. One of these bodies has an autonomous budget financed directly by mandatory assessed contributions by members. A number of these bodies, in addition to receiving funds from FAO, have autonomous budgets. Other bodies, in addition to being financed by the Organization, may undertake cooperative projects and accept contributions to this effect. In this context, the question of the extent to which autonomous statutory bodies may interact with donors has been raised. The matter could be examined in the light of two considerations.

- The first consideration is of a general nature and concerns the degree of autonomy that the secretaries of these bodies could enjoy when interacting with donors and how their relationship with donors is articulated with the functions of the Technical Cooperation Department. References have been made to a need for Article XIV bodies to enjoy greater autonomy in their relations with donors, in light of specific concerns and priorities of the bodies, while being able to rely on the range of support services provided by the Technical Cooperation Department. This consideration seems to be of some importance insofar as IPA Action 2.69 refers specifically to the possibility for the statutory bodies to exercise greater financial and administrative authority and “*mobilize additional funding from their members, while remaining within the framework of FAO and maintaining a reporting relationship with it*”. This is a matter essentially of a policy nature to be addressed in close consultation with the Technical Cooperation Department and presumably also with concerned technical units.
- The second consideration is a specific one and concerns the possibility for the secretaries of these bodies to conclude and sign donor agreements. This is a matter primarily for the Assistant Director-General, Technical Cooperation Department who is entrusted by statutory texts with authority to conclude donor agreements, and which might not pose major difficulties. In a recent situation where the secretary of a commission under Article XIV signed a donor agreement, the Legal Office was confronted with questions relating to his status when signing this donor agreement. In particular, it was asked whether in signing a donor agreement a secretary was representing FAO and acting as representative of FAO, or

representing the body in question and acting in the name of that body. The matter was not pursued at the time. This situation would seem to be related to the question of whether bodies established under Article XIV have legal personality, i.e. capacity to hold rights and obligations in their own right. The general position followed within the Organization and reflected in official documents of the Organization, including the Report of the Hundred and Twenty-seventh Session of the Council, is that the constituent instruments of bodies under Article XIV do not entrust them with legal personality and they have to act through FAO or draw on the legal capacity of FAO. Still secretaries could be authorized to sign donor agreements on the basis of a delegation to that effect.

65. The CCLM is invited to review and advise on this matter.

66. **The CCLM is also invited to express its views on whether the matter should be referred to other bodies of the Organization, including the statutory bodies themselves. The membership of these bodies might have some views on how they see possibilities for the statutory bodies to raise additional funding in the context of their own relations with donors.**

**F. Travel authorizations**

67. For many years in FAO there was a practice of issuing blanket travel authorizations to officials in charge of regional activities or regional projects. These officials were authorized to undertake travel within a given region and a given budgetary allocation without having to request specific travel authorizations each time they traveled.

68. It would seem that this system was introduced primarily as a means of obviating work at a time when travel authorizations were issued manually. As a result of the introduction of the Atlas system and the possibility of processing travel authorizations almost in real-time, the practice of issuing blanket travel authorizations to officials in charge of regional projects has been discontinued. Occasional queries have been made regarding the possibility for these officials to benefit from blanket travel authorizations.

69. The reinstatement of this practice in respect of secretaries of bodies under Article XIV could be considered.

**G. Organization of meetings**

70. In connection with the organization of meetings, two issues have been brought to the attention of the secretariat: the conclusion of memoranda of responsibilities, and the translation of documents for meetings, although the latter arises in a context broader than that of the organization of meetings.

**(a) Negotiation and conclusion of memoranda of responsibilities**

71. A first issue is related to the conclusion of “*memoranda of responsibilities*” prior to the convening of meetings of bodies established under Article XIV. Limited requests have been made for increased flexibility for secretaries who would wish to be entrusted with authority to conclude and sign memoranda of responsibilities regarding specific meetings and at times would wish to accept arrangements more flexible than those usually implemented. Negotiations of memoranda of responsibilities sometimes turn into a lengthy exercise leading to the misperception that there is no need for such an instrument.

72. Under Rule XXXVII, paragraph 4 of the GRO, “*when determining the site of any meeting to be convened by the Organization, the Director-General should be satisfied that the host government is willing to grant to all delegates, representatives, experts, observers and members*

*of the Secretariat of the Organization attending such a meeting the immunities that are necessary for the independent exercise of their functions in connection with the meeting”.*

73. The Director-General is required to conclude, prior to each meeting of the Organization held outside headquarters or the main regional and sub-regional offices, an arrangement defining responsibilities of the host government and FAO in respect of the meeting. Three sets of provisions are important. The first is the requirement that the host government should accord for the purpose of the meeting to delegates and observers and to FAO, its property, funds and assets, as well as to FAO staff, privileges and immunities specified in the Convention on the Privileges and Immunities of the Specialized Agencies. The second is a requirement that it should grant visas and all necessary facilities to delegates, observers and consultants attending the meeting. The third is a requirement that the Government should hold FAO harmless in respect of any claims brought by delegates and observers or by other third parties arising out of the meeting, except where it is agreed by the Host Government and FAO that the claim arises from gross negligence or willful misconduct of such staff.

74. A specific detailed analysis of each of these requirements, inherently linked to the status of FAO as an intergovernmental organization of the United Nations system, would go well beyond the scope of this review. For the purposes of this review and as regards the first requirement, it relates to the immunity from every form of jurisdiction which FAO enjoys. This immunity concerns officials of the Organization as well as delegates to meetings. For the purpose of the meetings, participants should be able to exercise their functions independently and this should be done through the benefit of the functional immunity of FAO<sup>16</sup>. The second requirement is related to the universal nature of FAO and the need to ensure that whenever the Organization convenes a meeting, the host Government should agree to grant visas for all participants<sup>17</sup>. The third requirement – acceptance by the Host Government of a hold-harmless clause – is also intimately linked with the nature of the inter-governmental organizations of the United Nations. These organizations are of a non-profit nature. This operating model does not foresee the possibility that they could accept losses which – in the absence of a donor willing to cover them – would have to be absorbed by the membership at large. This is why in all technical operation activities and in operations regarding meetings the organizations of the system request, as a condition for the convening of meetings, that the host government should deal with claims that might be brought against the Organization and arising out of such meetings. Occasionally, there is a need to negotiate some clauses on secondary, peripheral issues.

75. These requirements are essentially linked to the fundamental nature of FAO, under the framework of which bodies under Article XIV operate. In addition, the granting of privileges and immunities to the organizations of the UN system is seen by most host Governments as an act of sovereignty on important matters. For this reason it is important that Memoranda of Responsibilities should continue to be concluded by the Director-General, in the same manner as in other organizations of the UN system where such arrangements are concluded by executive heads. It is also important that the integrity of the regime of privileges and immunities be duly safeguarded as this is an essential condition for the operation of the organizations of the UN

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<sup>16</sup> While this matter is approached only from the perspective of the facilities to be accorded in connection with meetings, the possibility for a commission under Article XIV of the Constitution to benefit from immunity of jurisdiction under the Constitution of FAO, the Convention on the Privileges and Immunities of the Specialized Agencies and the network of agreements which FAO has concluded, is a major advantage for the bodies in question. This regime allows any concerned body to operate worldwide, without hindrances, under a scheme which was negotiated some sixty years ago and which an organization outside the UN system is not in a position to obtain.

<sup>17</sup> This is a fundamental principle applied strictly throughout the United Nations. Instances where delegates were denied access and were unable to attend meetings led to major criticism.

system as a whole<sup>18</sup>. Such a regime would be incompatible with the conclusion of host agreements, dealing with the immunity of the Organization, by secretaries of bodies. This could also be objected to by Governments.

**76. In light of the above considerations, the CCLM is invited to confirm that memoranda of responsibilities prior to the convening of meetings should continue to be concluded by the Director-General.**

**(b) Translation of documents**

77. This issue is addressed under the heading regarding the organization of meetings, because there is a need to translate documents in that connection, but it arises in a context broader than that of the organization of meetings. As a general rule, bodies established under Article XIV do organize a substantial number of meetings and commission a large number of translations through the FAO Meeting Programming and Documentation Service. Not infrequently, the membership of the bodies under Article XIV has expressed disagreement at current arrangements and has requested increased reliance on outsourcing. Insofar as the matter acquired an important dimension in a number of bodies and seems to be a concern of secretaries, it is raised in this review.

78. The matter was addressed in the context of the Root and Branch Review (RBR) by Ernest & Young (YE)<sup>19</sup>. The administration has expressed its views on the matter in its Management Response<sup>20</sup>. The Chair's Aide-Mémoire of the Meeting of Working Group III of the Conference Committee for the Follow-up to the Independent External Evaluation of FAO of 20 May 2009 stated in this regard: "*Members considered that, looking forward, it will be important to (...) ensure the provision of quality translation services, in an effective, timely and cost-efficient manner, taking account of the urgent and confidential nature of the documents to be translated. This could entail revisiting the existing back-charge system, while pursuing the policy of outsourcing at a level commensurate with the required quality and timeliness of translations*".

79. At the 126<sup>th</sup> Session of the Finance Committee (11-15 May 2009) "the need to ensure adequate quality and timeliness of the translations" was stressed. "The Committee noted EY's recognition that FAO had an efficient translation service but also noted that the costs of internal translation were higher than the rates applied by freelance translators. The Secretariat noted that FAO was one of only two UN agencies which fully backcharged translation services, and rates were substantially lower than in any other such agency. It was also noted that the present proportion of translation work outsourced was higher than in any other comparable UN agency.

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<sup>18</sup> Also taking into account the fact that any deviation by one organization from the regime generally accepted has implications in respect of other organizations of the system.

<sup>19</sup> RBR Final Report, pages 128-142.

<sup>20</sup> In the Management Response to the RBR Final Report dated 20 May 2009, Management observed: "*the RBR recommends the implementation of a model characterized by a new financial mechanism for the FAO translation services at lower costs by providing reduced internal services (focusing on revision and proofreading) and with an increased proportion of externally contracted translators (up to 90% of the current volume from 50% currently). The internal service would be mainly responsible for quality control (with all outsourced translations being revised internally), management of terminology and roster of freelance translators, with about 50% of the current staffing (one or two translators and one general service staff per language group). Management agrees with the RBR proposal to review the existing back-charge system in order to address its disincentive effect on translation rates. While there might be scope for increasing the outsourcing of translation, it should be noted that, among comparable UN organizations, FAO already has the highest level of outsourcing. A further increase in the proportion of outsourced translation, combined with the proposed staff reduction, would seriously affect the Organization's capacity necessary to carry out urgent translations (including in-session for meetings) and to provide the quality revision services needed to review externally translated documents (...)*" (page 7).

The costs of translation in FAO represented about 1% of the total net appropriation, which was less than other comparable organizations. Whilst the thrust of the RBR recommendation was agreed by the Secretariat, there were differences on the degree to which outsourcing of translation could be pursued”.

80. The matter was further discussed by the Council at its 136<sup>th</sup> Session (15-19 June 2009), which then “emphasized the need for further improvement of the language services and requested that the funding model be changed from backcharging to being incorporated into the regular budget in order to strengthen the assets of the Meeting, Programming and Documentation Service, as well as the quantity and quality of its services. The Council urged the management to initiate an internal study in full consultation with relevant Members”.

81. The matter is not primarily an issue of a legal nature. However, as the issue has been raised in “autonomous” statutory bodies, the CCLM may wish to recommend that it be addressed in the context of the above mentioned internal study on the role and functions of the FAO language services, which would also cover the need to ensure quality consistency of translations and take into account the incremental workload for the Secretariats of the bodies concerned to manage direct outsourcing, as well as any other pertinent considerations specific to bodies under Article XIV.

#### **H. Participation of observers and other stakeholders in meetings of statutory bodies**

82. The recent Evaluation on FAO’s Work on International Instruments underlined that current policies of FAO on participation of non-governmental organizations and other stakeholders in meetings of a number of bodies are inadequate from the perspective of some instruments and made a recommendation on participation of observers and other stakeholders in meetings of instruments and statutory bodies defined in a broad manner<sup>21</sup>.

83. This specific recommendation (4.10) reads as follows:

“(a) ***Future Strategy:*** *The FAO Conference or others responsible for maintenance of the FAO Basic Texts should ensure that rules regarding participation of observers in international meetings carefully balance the interests of public participation by all interested groups and the overall objectives of the meeting or process involved.*

(b) ***Immediate Action:*** *Each instrument or body should reconsider its individual rules on participation of industry or other non-governmental stakeholders, to maximize its inclusion of views of all relevant sectors and interest groups by credible organizations, and to find an appropriate balance in participation. What is “appropriate” will vary from instrument to instrument.*

(c) ***Immediate Action:*** *Each instrument should take a more proactive role in selecting observers, encouraging each of them to marshal and present the views of other organizations within his stakeholder group. Specific options to be considered in order to increase the level of participation by NGOs and private sector groups from developing countries and to enable such groups to represent the interests of other similarly focused groups are:*

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<sup>21</sup> Evaluation of FAO’s Work on International Instruments, PC 101/5(a) Sup. 1.

- preparatory meetings for NGOs and private sector groups to share positions and concerns prior to essential meetings;
- support and assistance to observer groups, to encourage dissemination of the results of FAO meetings and to inform them of the impact of their group's inputs, issues and proposals had on the meeting".

84. In its response, FAO indicated that insofar as Management was concerned, it agreed with the recommendation. More specifically:

*"Management notes that this Recommendation and its sub-parts could be implemented as part of the broader process of review of rules regarding participation of international non-governmental organizations and civil society organizations in the work of FAO, which will be launched in the near future. However, the matter might be far more complex than it appears at first glance insofar as Members seem attached to the intergovernmental nature of the fora operating within or under the framework of FAO. Management would also like to point out that considerable experience has been gained in some specific areas which might help in the process of review of current rules. For instance, in the case of Codex, as a result of the 2002 Codex evaluation, rules and procedures regarding INGO participation have been changed".*

85. It may be useful to provide additional clarifications on the above. The procedures in force in FAO regarding participation of International Non-Governmental Organizations (INGOs) in the work of the Governing Bodies and statutory bodies were adopted in 1957 as part of a policy concerning relations with INGOs currently set out in Parts O, P and Q of the Basic Texts. Under this policy INGOs with formal status with FAO could participate as observers in meetings of FAO. There were three forms of formal status (consultative status, specialized consultative status, liaison status) which continue to exist. Over the years these criteria were considered to be rather restrictive in light of the mandate of some statutory bodies and, in 1967, at its Forty-ninth Session, the Council approved a possibility for the Director-General, subject to some conditions, to invite INGOs without status to meetings of the Organization. Again over the years, these conditions appeared to be too restrictive and, starting with the World Food Summit of 1996, *ad hoc* solutions for inviting NGOs have been implemented occasionally (notably in connection with meetings of the Committee on World Food Security and the Intergovernmental Working Group for the Formulation of Guidelines on the Progressive Realization of the Right to Food). Still a broader comprehensive policy in respect of NGOs and civil society organizations has not yet been formulated. It is possible that such a future policy might consist of substantive guidelines regarding criteria which NGOs would have to fulfill, presumably a detailed new definition of the extent of rights of participation, and of an intergovernmental review mechanism<sup>22</sup>.

86. The definition of this new policy – a matter primarily for the membership of the Organization and over which the secretariat has little or no influence – could still take some time, including time for review and decision by the Governing Bodies.

87. **Pending the establishment and adoption of new policies, secretaries of bodies under Article XIV and of other statutory bodies, as appropriate, could seek to implement, in consultation with concerned units of the Organization and the chairpersons of the concerned bodies, *ad hoc* measures for inviting NGOs and other stakeholders.**

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<sup>22</sup> Reflecting the practice of the Economic and Social Council of the United Nations.

## I. The issue of the reporting relationship with FAO

88. Some IPA actions deal with the reporting relationship with the Conference, the Council and the Technical Committee which require further review and would seem to call for an analysis broader than that made within the Conference Committee. The IPA contains a generic statement whereby “*statutory bodies and conventions*” will have a direct line of access to the appropriate FAO Technical Committees. They will be accountable to the FAO Council and Conference for the use of that proportion of their funding which is provided for from FAO assessed contributions”. IPA action 2.68 states that “*Conferences of parties to treaties, conventions and agreements such as Codex and the IPPC (incorporated under FAO statutes) may bring issues to the attention of the Council and Conference through the relevant Technical Committee (Basic Texts Change)*”. IPA action 2.69, which forms the major part of this review, refers to entrusting statutory bodies with greater financial and administrative autonomy, “*while remaining within the framework of FAO and maintaining a reporting relationship with it*”.

89. For many years, statutory bodies established under Article XIV or VI of the Constitution used to report in a systematic manner to the Conference or Council. The Conference and Council, which used to have sessions far longer than they have at present, used to examine the activities of such statutory bodies in detail as they emerged from reports of sessions. This was also a reflection of paragraphs 30 and 31 of the Principles requiring the constituent instruments of statutory bodies to include provisions on reporting to the Governing Bodies either directly or through the Director-General<sup>23</sup>. Over the years, the situation has changed due to various factors and systematic reporting may have been abandoned in some cases.

- First, statutory bodies either under Article XIV or Article VI have increased in number, in parallel to a process whereby the Conference and Council tended to concentrate their work on broader policy, programme and budget matters. In some situations, the specific review of the activities of statutory bodies was done through the relevant Technical Committees. This used to be the case, for example, of the Committee on Fisheries which for many years used to be systematically apprised of the activities of all fisheries commissions, and reviewed in some detail the activities of the fisheries commissions established under the framework of FAO, under Article VI or XIV.
- Second, over the years there has been a move towards recognition of greater functional autonomy on the part of some statutory bodies even in situations where the statutes of the

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<sup>23</sup> “30. Provision shall be made in the relevant texts to the effect that commissions, committees and other bodies established under Article VI or Article XIV of the Constitution, as well as their subsidiary bodies, shall transmit their reports and recommendations to the Director-General, those of the subsidiary bodies to be transmitted through the parent body. In the case of bodies referred to in paragraph 33 (c), provision may also be made in the relevant texts to the effect that recommendations or decisions not having financial, policy or programme implications for the Organization, may be transmitted directly to the members of the body concerned for their consideration and action. The Director-General shall take these reports into account when preparing the Programme of Work and Budget of the Organization; bring to the attention of the Conference through the Council any recommendations adopted by these bodies which have policy implications or which affect the programme or finances of the Organization; include in his annual statement to the Conference an analysis of the work done by these bodies.

31. It is understood that, pending such formal action, the Director-General will circulate these reports to all members of the bodies concerned and to all Member Nations and Associate Members of the Organization for their information. The policy, programme and financial implications for the Organization of these reports shall be acted upon by the appropriate governing body of the Organization”.

bodies in question made provision for reporting to the Conference or Council. This has been in some cases the result of a deliberate policy both on the part of the Organization and the bodies in question. Thus statutory bodies have been reluctant to activate a systematic line of reporting to the Conference or Council even when this reporting line was defined in their statutes. For its part, the Organization and its Members have often respected a desire on the part of the statutory bodies to exercise greater autonomy and have not reminded the statutory bodies of their obligation to report their activities, in order to preserve their autonomy. In parallel, efforts to increase the efficiency of the Conference and Council resulted in a reduction in the duration of their sessions incompatible with any form of systematic review of the activities of the statutory bodies. In addition, there might be situations where activation of a reporting requirement would not be accepted by Members of the statutory bodies.

90. In examining the implementation of the IPA actions it would be useful to keep in mind a number of considerations, in addition to the practice referred to above. First, almost all statutory bodies under Article VI or XIV receive funding from the Organization. Therefore, it would be appropriate, as indicated in the IPA, that the bodies “*will be accountable to the FAO Council and Conference for the use of that proportion of their funding which is provided for from FAO assessed contributions*”. In addition, and consistent with paragraphs 30 and 31 of the Principles, whenever specific recommendations of statutory bodies have “*policy, programme and financial implications*”, these should be reported to the Director-General and through him to the concerned Governing Body. Second, a range of issues of a policy nature – including the desirability of respecting the functional autonomy of the concerned statutory bodies – should be taken into account. In some cases, as reflected in IPA action 2.68, there may be a need to modify the constituent instruments of the bodies, which may be a complex exercise.

91. Therefore it is proposed that a process of reflection on the implementation of the above IPA actions should continue. The issue of the reporting relationship could be referred again to the main relevant statutory bodies and these could be invited to indicate which action they would expect from the Governing Bodies. The scope and purpose of the reporting could be determined both following submissions of the views of the statutory bodies and the Governing Bodies, and a differentiated approach to the matter could be progressively defined. This could eventually result in amendments to the Principles set out in Part R of the Basic Texts.

#### **SUGGESTED ACTION BY THE COMMITTEE**

92. The CCLM is invited to review this document and offer such views thereon as appropriate.

93. The CCLM is, in particular, invited to:

- a) offer its views on the scope of this review which focuses on bodies established under Article XIV of the Constitution, but which could at times also concern bodies under Article VI of the Constitution (paragraph 15 refers);
- b) confirm the need for a determination of the bodies to which the recommendations of this review would apply, taking into account the views of the Members, the nature of the activities exercised and the overall status of the bodies in question (paragraph 19 refers);
- c) note the future need to reconsider the Principles of Part R of the Basic Texts once the process of consideration of this review is completed (paragraph 21 refers);
- d) note the preliminary nature of this review and endorse the proposal that other governing bodies and statutory bodies could also review this document (paragraphs 22 to 24 refer);
- e) note the differentiated nature of the recommendations (paragraph 25 refers);

- f) note that decisions eventually taken in the context of, or as a result of this review could have an impact upon the ultimate accounting treatment and financial reporting required under IPSAS (paragraphs 26 to 28);
- g) endorse the proposal that special rules regarding attendance at external meetings be formulated in respect of bodies under Article XIV of the Constitution and, where appropriate, bodies under Article VI of the Constitution, and note that the Principles of Part R of the Basic Texts might need to be amended (paragraphs 32 to 37 refer);
- h) endorse the proposal that procedures for the conclusion of arrangements by bodies under Article XIV of the Constitution be prepared (paragraphs 38 and 43 refer) and a determination be made of whether this should be reflected in the Principles of Part R of the Basic Texts;
- i) advise on the course of action to be taken in respect of a few budgetary and financial issues (paragraphs 44 to 47 refer);
- j) note existing provisions regarding selection and appointment of secretaries of bodies under Article XIV of the Constitution as already examined by the CCLM and Council, and recommend that a few issues regarding staff in the General Service category, contractual arrangements for personnel and other contractual arrangements be further reviewed by the units concerned (paragraphs 53 to 59 refer);
- k) endorse the proposal that special criteria and rules regarding official correspondence by secretaries of bodies under Article XIV be prepared (paragraphs 60 to 62 refer);
- l) indicate whether the issue of the relations with donors should be referred to other bodies of the Organization (paragraphs 63 to 66 refer);
- m) advise on the issue of the authority of the secretaries of bodies under Article XIV to travel (paragraphs 67 to 69 refer);
- n) note the importance of issues pertaining to the privileges and immunities of the Organization and confirm the current practice that “memoranda of responsibilities”, negotiated and concluded by the Director-General, should be maintained (paragraphs 71 to 76 refer);
- o) indicate whether the issue of the translation of documents for meetings of bodies under Article XIV of the Constitution should be pursued as mentioned in the document (paragraphs 77 to 81 refer);
- p) recommend that pending the formulation and adoption of new policies on participation in meetings of representatives of non-governmental organizations and other stakeholders, secretaries of bodies under Article XIV of the Constitution could seek to implement, in close consultation with the chairpersons of the bodies in question, *ad hoc* informal measures for inviting such representatives (paragraphs 82 to 87 refer);
- q) advise on how the issue of the reporting relationship between the statutory bodies and FAO could be addressed in light of the developments presented in this review (paragraphs 88 to 91 refer).

## APPENDIX

## MAIN CHARACTERISTICS OF BODIES ESTABLISHED UNDER ARTICLES VI AND XIV OF THE FAO CONSTITUTION

Article VI Bodies	Article XIV Bodies
<p style="text-align: center;"><b>Authority for Establishment</b></p> <p>1. Established by the Director-General of FAO on the authority of the council and/or Conference.</p> <p style="text-align: center;"><b>Membership</b></p> <p>1. Open to Member Countries of the Organization. 2. Some members could also be selected by the Director-General of FAO.</p> <p style="text-align: center;"><b>Source of Financing</b></p> <p>1. Entirely financed by FAO except the participation of members in meetings. 2. Partly covered by extra budgetary support, if available.</p> <p style="text-align: center;"><b>Secretariat</b></p> <p>1. Secretary appointed by the Director-General.</p> <p style="text-align: center;"><b>Powers</b></p> <p>1. Have wide advisory role, with powers to adopt recommendations on management issues, but no regulatory powers. 2. Not potentially binding recommendations. 3. Can create subsidiary bodies, subject to the availability of funds in the relevant approved budget. 4. Can establish rules of procedure for subsidiary bodies but the latter must be in conformity with the Rules of Procedure of the parent body and the General Rules of the Organization, and approved by the Director-General on the authority of FAO Council.</p>	<p style="text-align: center;"><b>Authority for Establishment</b></p> <p>1. Established through international agreement under the auspices of FAO.</p> <p style="text-align: center;"><b>Membership</b></p> <p>1. Non-members of the Organization can be members but must contribute towards the expenses incurred by the Organization with respect to the activities of the body.</p> <p style="text-align: center;"><b>Source of Financing</b></p> <p>1. Members have contractual obligations and three financing possibilities exist: - as for Article VI body; - body may undertake cooperative projects financed by members; - have autonomous budget.</p> <p style="text-align: center;"><b>Secretariat</b></p> <p>1. Secretary appointed by Director-General but in some cases after consultation with or with the approval or concurrence of members of the body concerned.</p> <p style="text-align: center;"><b>Powers</b></p> <p>1. Have wide advisory role and in addition have regulatory powers relating to fisheries management. 2. Capable of formulating recommendations of a potentially binding nature. 3. Can create subsidiary bodies, subject to the availability of funds in the relevant approved budget. 4. Can establish rules of procedure for subsidiary bodies, but the latter must be in conformity with the Rules of Procedure of the parent body and the General Rules of the Organization, but on the strength of the amended Part R of the FAO Basic Texts any amendments to these Rules do not need to be approved by the Director-General.</p>



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Alimentación y la Agricultura

FC 157/17  
منظمة  
الغذية والزراعة  
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## FINANCE COMMITTEE

**Hundred and Fifty-seventh Session**

**Rome, 9 - 13 March 2015**

**~~Progress Report on Delegations of Authority to Bodies under Article XIV of  
the Constitution, taking into account their differentiated nature~~**

Queries on the substantive content of this document may be addressed to:

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*This document can be accessed using the Quick Response Code on this page;  
a FAO initiative to minimize its environmental impact and promote greener communications.  
Other documents can be consulted at [www.fao.org](http://www.fao.org)*



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### EXECUTIVE SUMMARY

- The Finance Committee requested a report on actions taken with regard to past recommendations on delegations of authority and operational facilities for Article XIV bodies, taking into account the differentiated nature of these bodies. The report places the matter in the context of past deliberations of the Committee on Constitutional and Legal Matters, the Finance Committee, the Programme Committee and the Council. In particular, the Finance Committee, at its 148th Session in March 2013, concurred with criteria for increased delegations of authority and reiterated the need for a differentiated approach to the matter, noted that Management was implementing a number of recommendations and acknowledged, in view of FAO's general accountability for the operation of Article XIV bodies, the need for Management to follow a flexible, but prudent approach, by recognizing the functional requirements of these bodies, while ensuring, as far as appropriate, observance of FAO's policies and procedures.
- The report describes operational facilities and delegations of authority, which have been extended to Article XIV bodies or are under consideration, in areas of travel, authority to conclude cooperation arrangements, human resources matters, resources made available to these bodies, relations with donors, channels of communication with Governments and official correspondence, matters related to organization of meetings, matters related to visual identity and the possibility of using specific logos, participation by non-governmental organizations and other stakeholders in meetings of Article XIV bodies, project servicing costs, IT matters and the possibility of accepting contributions from the private sector.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to review the report and make such observations thereon as appropriate. The Finance Committee is, in particular, invited to note:
  - The differentiated approach which, in line with the guidance provided by the Governing Bodies, the Secretariat follows in dealing with this matter; and
  - The operational facilities and delegations of authority implemented by the Secretariat described in the report.

#### **Draft Advice**

#### **The Committee:**

- **Noted the operational facilities and delegations of authority which have been implemented by the Secretariat in respect to Article XIV bodies;**
- **Acknowledged the need for a differentiated approach to the matter, given the specific characteristics of Article XIV bodies, and for FAO to recognize the operational requirements of these bodies while ensuring as far as appropriate observance of FAO's policies and procedures.**

## BACKGROUND

1. At its 157th Session, the Finance Committee requested the Legal Counsel to present at the Committee's next regular session in Spring 2015 a detailed report on actions taken with regard to past recommendations to increase delegations of authority to Article XIV bodies, taking into account the differentiated nature of these bodies.
2. This document is prepared in response to the request by the Finance Committee. The document examines in detail past recommendations and criteria for delegations of authority on the matter and describes actions taken.

## PAST DELIBERATIONS ON THE MATTER

3. The question of the delegations of authority and a number of operational facilities for bodies established under Article XIV of the FAO Constitution was, in the recent past, under review by various Governing Bodies, i.e. the Committee on Constitutional and Legal Matters (CCLM), the Programme Committee and the Finance Committee. The matter was also briefly examined by the Council. For the purpose of this document, it is of special importance to be aware of past deliberations of the Finance Committee which reviewed the matter in the light, inter alia, of a report of the CCLM.
4. Thus, the Finance Committee, at its 148th Session in March 2013:
  - “(a) concurred with the criteria for increased delegations of authority proposed in document FC 148/21 and reiterated the need for a differentiated approach to the matter given the specific characteristics of Article XIV bodies;*
  - (b) noted that Management was in the process of implementing the recommendations contained in Appendix II to document FC 148/21, and generally reflected in paragraph 27 of that document, which were within Management's authority, and requested a report on the matter at a future session of the Committee, possibly as part of the IPA follow-up report by the Secretariat; and*
  - (c) acknowledged, in view of FAO's general accountability for the operation of Article XIV bodies, the need for Management to follow a flexible but prudent approach, by recognizing the functional requirements of these bodies, while ensuring as far as appropriate observance of FAO's policies and procedures”<sup>1</sup>.*
5. The criteria for delegations of authority agreed and referred to by the Finance Committee, which had been proposed by the CCLM and reflected in previous deliberations on the matter by other committees, were presented as follows in document FC 148/21:

*“The subsidiary Committees of the Council have recognized that the matter of allowing bodies under Article XIV of the Constitution to exercise greater financial and administrative authority while remaining within the framework of FAO is of a complex nature, given the differentiated nature of these bodies, as well as different views of the Membership as to the degree of autonomy to be recognized to them. Based on the review, it is accordingly essential to identify the Article XIV bodies which would benefit from greater financial and administrative authority while remaining within the framework of FAO. It is suggested that these be identified on the basis of the following criteria: funding mechanisms, functional needs and legal authority, as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question. As a general guiding principle, increased delegations of authority to Article XIV bodies could be considered, provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization were in place”<sup>2</sup>.*

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<sup>1</sup> CL 146/3, page 14.

<sup>2</sup> FC 148/21, page 4.

6. In the deliberations at its 148th Session, in March 2013, the Finance Committee noted that Management was implementing recommendations contained in Appendix II of document FC 148/21 and would report on the matter at a future session of the Finance Committee. Appendix II to that document described areas where relaxation of existing procedures and delegations of authority were being considered and implemented, and are listed in the second part of this report. These areas concerned travel by secretaries, conclusion of arrangements with other organizations and parties, budgetary, financial and audit issues, human resources matters, channels of communication with Governments and official correspondence, relations with donors and resources mobilization, organization of meetings, participation by non-governmental organizations and other stakeholders in meetings and reporting relationship with the main bodies of FAO.

7. This report describes facilities and delegations of authority that have been extended to some Article XIV bodies. These facilities have been implemented either as a result of specific delegations of authority, or on the basis of practice, or of *ad hoc* decisions. Insofar as the situation of Article XIV bodies is differentiated, and there are at times fundamental differences among bodies, the Secretariat has, as far as possible, avoided establishing procedures of a general nature.

8. Finally, it may be of interest to mention in the general section of this document that the Council, at its 146th Session, when approving the report of the 148th Session of the Finance Committee, noted the Finance Committee's concurrence with the criteria for increased delegations of authority for Article XIV Bodies, proposed in document FC 148/21, and the need for a differentiated approach to these bodies. The Council also stressed, "*given FAO's general accountability for the operation of Article XIV bodies, the need for a prudent approach by recognizing the functional requirements of these bodies, while ensuring, in a pragmatic manner, the observance of FAO's policies and procedures*"<sup>3</sup>.

## **OPERATIONAL FACILITIES AND DELEGATIONS OF AUTHORITY**

9. As regards travel by secretariat staff of Article XIV bodies it should be noted that a number of principles and procedures regarding official travel of FAO staff are set out in Director-General's Bulletin (DGB) No 2013/54 of 19 September 2013. This DGB also sets forth a few restrictions on travel by senior managers (D1 and above) and the technical staff in terms of limitation in the number of travel days per year. However, the DGB explicitly clarifies that flexibility is exercised with regard to the total number of days travelled for staff of bodies under Article XIV and the ceiling on the annual number of travel days does not apply to secretaries and staff on the secretariat of Article XIV bodies and a few other units of the Organization.

10. The DGB defines a number of procedures and, in particular, provides that heads of secretariat of Article XIV bodies will submit directly to the concerned Director or Assistant Director-General, at the beginning of each year, a list of travel plans for attending and servicing the meetings of their bodies and subcommittees for review and blanket approval. For other travel, the secretaries of Article XIV bodies should submit, on a quarterly basis, a list as accurate as possible of other missions and meetings being attended, indicating the provisional number of participants for blanket approval by the concerned Assistant Director-General. Travel to attend representational meetings of a high level and complex nature, which require the presence of a corporate delegation, are subject to corporate review and coordination. Travel by staff on the secretariat of Article XIV bodies is included in the travel information system for the record. This framework allows staff on the secretariat of Article XIV bodies to travel in accordance with the statutory bodies' work programme and the allocated budgets.

11. As regards the conclusion of cooperation arrangements between bodies under Article XIV and other parties considerable flexibility has now been exercised. On a day-to-day basis, the Organization concludes agreements with a range of other parties such as Governments and intergovernmental or non-governmental organizations. There are general procedures in force which apply to the preparation, negotiation, clearance and signature of agreements set out, inter alia, in Director-General Bulletin No 2014/13 of 18 March 2014. Under this framework flexibility has been exercised and,

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<sup>3</sup> CL 146/REP, page 5.

following an internal process of review of proposed agreements, secretaries of Article XIV have been authorized on a case-by-case basis to sign agreements. In reviewing these situations, the Organization takes into account the criteria set out above.

12. As regards human resources matters, adjustments to policies of the Organization have been considered, also on a case-by-case basis and where possible, taking into account the functional requirements of the bodies in question and the above mentioned criteria. As regards the Performance Evaluation Management System (PEMS) there is currently a practice in relation to secretaries of some bodies whereby the Chairs of the bodies concerned provide their assessment on the performance of the secretaries and the Assistant Directors-General concerned make their assessment of the performance of the secretaries on the basis of those inputs. It may be of interest to underline that, insofar as the bodies in question operate in accordance with FAO's administrative and financial procedures, there is justification for FAO to be a party to the process of assessment of the performance of the secretaries of Article XIV bodies.

13. As regards resources made available to Article XIV bodies, under the implementation arrangements for the new Strategic Framework, Article XIV bodies are treated as Corporate Technical Activities with defined linkages to FAO's strategic results framework. FAO's financial contribution to the secretariats of Article XIV bodies is planned and ring-fenced within the Programme of Work and Budget. The resources are allotted directly to the office hosting the secretariat and monitored for expenditure and delivery of results.

14. As regards relations with donors by secretaries of bodies under Article XIV, the possibility has been given to some Executive Secretaries to sign project agreements with donors, upon specific delegation issued by the Assistant Director-General, Technical Cooperation Department, and once internal procedures have been followed.

15. The Organization is prepared to continue to follow this approach and, in general, would welcome pro-activeness on the part of the secretaries in resource mobilization as long as their efforts coincide with FAO's Resource Mobilization priorities. A number of conditions should be met:

15.1 The resource mobilization priorities of the bodies under Article XIV should be in line with FAO's priorities as defined in 11 Corporate Areas for Resource Mobilization (CARMs), 15 Regional Initiatives and the Country Programming Frameworks.

15.2. FAO should ensure that secretaries are generally aware of the Organization's rules and procedures regarding partnerships, resource mobilization, trust fund agreements and project cycle management and adhere to those rules and procedures.

15.3. Bodies under Article XIV would be requested, from the outset, to involve in their processes of negotiation, the relevant units of the Organization, with particular reference to TCS, OSP and OPC to ensure adherence to Corporate standards, guidelines and clearance processes as it is the Organization which will remain ultimately accountable for any trust fund agreement signed in support of these bodies. It is considered essential that there should be clarity on these requirements, for which there cannot be compromise or much flexibility.

16. In general, as evidenced by the practice followed up to now, Executive Secretaries may be authorized to sign project agreements under the above conditions.

17. As regards channels of communication with Governments and official correspondence, in practice some flexibility has been exercised in the case of Article XIV bodies and the Organization is prepared to allow, on a pragmatic basis, such practice to continue.

18. As to matters related to organization of meetings, including the conclusion of Memoranda of Responsibilities regarding such meetings, as well as the possibility of outsourcing some services as mentioned in Appendix II to document FC 148/21, no further action has been taken. This is so because, in general, no issues requiring special attention have been raised and existing arrangements regarding the organization of meetings by the Organization seem to operate in a satisfactory manner.

Matters related to servicing of meetings could, if necessary, be further examined by the Conference, Council and Protocol Affairs Division (CPA).

19. As regards matters related to visual identity and the possibility to use specific logos, Director-General's Bulletin No 2014/46 of 12 December 2014 has set forth a number of principles aimed at strengthening unity of action and reinforcing the concept of "One FAO" in all its communication efforts. In connection with this DGB it should be noted that there has been a situation of proliferation of logos which, it has been considered, weaken the image of FAO as a credible centre of excellence, dilute the corporate message of the Organization and create confusion among users, audiences and stakeholders about the authoritativeness of the information produced. To ensure that the Organization presents itself as One FAO and strengthens its stand in its area of competence, as a general rule only the logo of FAO may be used. The DGB provides that the Office for Corporate Communication may authorize exceptionally the use of other logos. Taking into account the status of a few Article XIV bodies in light of the above criteria, a few bodies will be authorized to continue to use their own logos along with those of FAO.

20. At the early stages of the process of review of this matter, the need for a flexible implementation of procedures regarding participating by non-governmental organizations (NGOs) and other stakeholders in meetings of Article XIV bodies had been identified as requiring attention. As the Finance Committee may be aware, a process of reconsideration of rules for participation of Civil Society Organization and Private Sector Representatives in FAO meetings, involving the CCLM and the Council, has been under way for the past few years. The Council at its 150th Session in December 2014 mandated the Independent Chairperson of the Council to hold consultations with the regional groups, open to all Members, with a view to reaching agreement on the matter. The CCLM would review a proposal and finalize its work only after agreement among Members had been reached.

21. The FAO Secretariat, in general, and the Office of Partnerships, Advocacy and Capacity Development and the Legal Office, in particular, have supported a flexible approach towards participation of NGOs which have expressed interest in meetings of Article XIV bodies or which, in the view of the concerned secretariats, are likely to make a positive contribution to the work of the statutory bodies in question. The Organization is not aware of any particular concerns that have been raised or impediments to participation of NGOs in meetings of bodies under Article XIV.

22. A number of other issues continue to be under review. The question of the level of project servicing costs applied to Article XIV bodies will be reviewed as part of the new FAO Cost Recovery Policy, now under consideration. Discussions continue on Information and Technology (I&T) matters. As a matter of principle, it is considered that FAO's web presence should be consolidated under FAO.org as the sole website of the Organization and other domains cannot be created to host FAO's information. This matter is linked to the protection and the preservation of the integrity of I&T systems of the Organization<sup>4</sup>. Some discussions have also taken place regarding the possibility for some Article XIV bodies to accept contributions from the private sector. In this context, consideration is being given to the possibility of referring for decision by the membership of the concerned Article XIV bodies the outcome of the due diligence process of review carried out by the Organization.

### **SUGGESTED ACTION BY THE COMMITTEE**

23. The Finance Committee is invited to review this report and make such observations thereon as it would deem appropriate. In particular, the Finance Committee is invited to note:

23.1. the differentiated approach which, in line with the guidance provided by the Governing Bodies, the Secretariat follows in dealing with this matter; and

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<sup>4</sup> It is possible that enhanced mechanisms and procedures for reporting on, and following-up of the exercise of delegations of authority and operational facilities by Article XIV bodies will have to be developed. Under some general principles on delegations of authority, reflected for instance in Rule XXXVIII, paragraph 5 of the General Rules of the Organization, authority may be delegated to the lowest appropriate levels. However, the Director-General and Management in general retain overall accountability in respect of the workings of those bodies.

23.2. the operational facilities and delegations of authority implemented by the Secretariat, described in this report.

February 2013

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольственная и сельскохозяйственная организация Объединенных Наций	Organización de las Naciones Unidas para la Alimentación y la Agricultura
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## FINANCE COMMITTEE

**Hundred and Forty-eighth Session**

**Rome, 18 - 22 March 2013**

**Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO**

Queries on the substantive content of this document may be addressed to:

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### EXECUTIVE SUMMARY

- IPA action 2.69 requested Management, the Council and the Conference to “*undertake a review with a view to making any necessary changes to enable those statutory bodies which wish to do so to exercise financial and administrative authority and mobilize additional funding from their members, while remaining within the framework of FAO and maintaining a reporting relationship with it*”. The Committee on Constitutional and Legal Matters (CCLM), the Programme Committee and the Finance Committee have occasionally reviewed the matter since 2009.
- This document, prepared at the request of the Finance Committee at its Hundred and Forty-seventh Session in November 2012, reviews a number of administrative and financial issues that have been raised in connection with bodies under Article XIV of the Constitution, including matters related to external relations and attendance at external meetings; conclusion of arrangements with other organizations and institutions, budgetary, audit and financial issues, human resources matters, channels of communications with Governments, relations with donors, organization of meetings and related matters. **Appendix I** to this document contains a matrix with summary information on the status and characteristics of existing bodies under Article XIV of the Constitution and **Appendix II** on the deliberations of the CCLM on the matter.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to review this document taking into due account its appendixes I (providing information on the status and characteristics of the various bodies) and II (on the deliberations of the CCLM on the matter).

#### **Draft Advice**

- **The Committee welcomed document FC148/21, as well as the detailed information provided thereon, including the information provided in Appendixes I and II.**
- **The Committee reiterated the differentiated nature of bodies under Article XIV of the Constitution and endorsed the proposed criteria for the determination of the bodies to which the recommendations of the review apply.**
- **The Committee invited Management to implement the recommendations outlined in the document, with particular reference to those set out in Appendix II.**
- **The Committee underlined the following specific points (...).**

## I. BACKGROUND

1. The status of bodies established under Article XIV of the Constitution<sup>1</sup> has been under review since 2009 in response to IPA Action 2.69. A range of issues of an administrative and/or financial nature relating to the functional and operational autonomy of these bodies within the framework of FAO have been under review by the Governing Bodies, including the Council, the Programme Committee, the Committee on Constitutional and Legal Matters (CCLM), as well as the Finance Committee<sup>2</sup>.

2. At its 144<sup>th</sup> Session, the Finance Committee was provided with an oral report on the status of the review of bodies established under Article XIV of the FAO Constitution. At its 147<sup>th</sup> Session, the Finance Committee considered in general terms a detailed document FC 147/20 “*Review of Article XIV Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO*”, as well as the deliberations of the CCLM<sup>3</sup> which had reviewed the same document at its 95<sup>th</sup> Session. Document FC 147/20 reviewed in detail administrative and financial areas where a relaxation of a number of operational procedures and practices could be considered.

3. At that Session, the Finance Committee noted that written observations had been submitted by some Members on documents FC 147/20 and FC 147/20 Add., which were examined by Management and which are, as appropriate, reflected in the present document. The Committee further requested Management “*to provide further information on the main statutory, administrative and financial characteristics of existing bodies under Article XIV so that it could examine the proposals made in relation to specific bodies.*” The Committee decided to re-examine the matter in detail at its session of Spring 2013. In order to facilitate this review, this document contains a summary of the administrative and financial areas where increased functional and operational autonomy could be granted, prepared on the basis of earlier submissions to Governing Bodies. Information on the main statutory, administrative and financial characteristics of existing Article XIV bodies can be found in the table contained in **Appendix I** to this document.

## II. CRITERIA FOR INCREASED DELEGATIONS OF AUTHORITY

4. The subsidiary Committees of the Council have recognized that the matter of allowing bodies under Article XIV of the Constitution to exercise greater financial and administrative authority while remaining within the framework of FAO is of a complex nature, given the differentiated nature of these bodies, as well as different views of the Membership as to the degree of autonomy to be recognized to them. Based on the review, it is accordingly essential to identify the Article XIV bodies which would benefit from greater financial administrative authority while remaining within the framework of FAO. It is suggested that these be identified on the basis of the following criteria: funding mechanisms, functional needs and legal authority, as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question. As a general guiding principle, increased delegation of authority to Article XIV bodies could be considered, provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization were in place. Appendix I to this document contains information on existing bodies under Article XIV of the Constitution, including on relevant criteria.

<sup>1</sup> Hereinafter often called “Article XIV bodies”.

<sup>2</sup> See CL 136/9 (para.35), CL 137/5 (para 7-22), CL 137/REP (para53); CL 140/8 para 27; CL 143/7 (para 19-24)

<sup>3</sup> FC147/20 Add.1

### III. ADMINISTRATIVE AND FINANCIAL ISSUES

#### *External relations (Attendance at external meetings)*

5. Director General's Bulletin 2012/18 rev.1 of December 2012 on "*Official Travel of FAO Staff*" contains more flexible rules in respect of staff serving Article XIV bodies and seems to have settled any outstanding issues<sup>4</sup>. It provides for a yearly review and blanket approval by the concerned Assistant Director-General for travel plans of staff of Article XIV bodies for attending and servicing the meetings of their bodies. For other travel, the secretariats of these bodies should submit on a quarterly basis a list as accurate as possible of other missions and meetings being attended, indicating the number of participants. The only restriction concerns travel for attending representational meetings of high level and complex nature, subject to corporate review and coordination. These arrangements are working satisfactorily.

#### *Conclusion of arrangements with other organizations and institutions*

6. With respect to the conclusion of arrangements with other organizations and institutions, substantial experience has been gained since 2004 when the Council agreed on a procedure for conclusion of agreements by bodies under Article XIV of the Constitution. Secretaries have been able to conclude arrangements with other organizations and institutions, which seems to reconcile the interests of both of the bodies and the Organization, insofar as the proposals are referred to, and reviewed by the Organization. Recently some secretaries of Article XIV bodies<sup>5</sup> have also been authorized to sign donor agreements on the basis of a delegation to that effect.

7. The procedures have been operating satisfactorily, allowing also for coherence between the activities of those bodies and those of FAO. The only remaining open issue is related to the need to identify the extent to which the procedure applies to all Article XIV bodies, or only to some of them, if so, on the basis of which criteria. Consideration could be given to drawing up a list of Article XIV bodies which could benefit from the facilities foreseen in this section.

#### *Budgetary, audit and financial issues*

8. With respect to Project Servicing Cost, in 2011, the Conference<sup>6</sup> reaffirmed the Organization's policy of full cost recovery that had been approved by the Council in 2000, in line with Financial Regulation 6.7 and urged the Director-General to vigorously pursue improving administrative and operational support cost recovery from extra-budgetary activities. The policy provides also that long-term trust fund accounts (e.g. Commissions established within the framework of FAO, including Article XIV bodies) will be subject to case-by-case estimate of the actual level of varied indirect support costs and charged accordingly. In 2004, the Finance Committee took also a very restrictive approach to the matter<sup>7</sup>.

9. The issue concerning the presentation of financial information was raised in the past and would seem to be one of a practical nature. Increased collaboration between the secretaries of the

<sup>4</sup> A hard copy of the Director-General's Bulletin 2012/18 Rev.1 of December 2012 on "*Official Travel of FAO Staff*" will be made available to the Finance Committee.

<sup>5</sup> GFCM, IOTC and ITPGRFA.

<sup>6</sup> C 2011/REP, paragraph 100. See also Conference Resolution 5/2011, operative 4.

<sup>7</sup> See FC 104/5, FC 107/4 and CL 127/14, paragraph 22-23.

bodies and the Finance Division have allowed to address the issue of financial presentation as well as to improve the quality of financial reporting. Consideration could be given to using the current level of reporting as one criteria or measure to determine the priority and eligibility of the Article XIV bodies for increased financial and administrative autonomy.

10. Some bodies under Article XIV of the Constitution have received from potential donors offers of voluntary contributions which are subject to conditions on the granting of audit access or reviews by representatives of the donor. In accordance with the single audit principle followed by the entire United Nations System requests for special audits have been resisted so far. FAO has a system of oversight which includes, *inter alia*, an internal audit function and an external audit function. The Organization's activities, including projects, may be audited only by the External Auditor appointed by the Council in accordance with Financial Regulation 12.1<sup>8</sup>. The Finance Committee may also request the External Auditor, who is completely independent and solely responsible for the conduct of the audit<sup>9</sup>, to perform certain specific examinations and issue separate reports on the results<sup>10</sup>. The Committee is invited to advise on how to deal with the requests for special audits in some Article XIV bodies and on the proposal to refer the matter to the Finance Committee which could request the External Auditor to perform certain specific examinations under Financial Regulation 12.6, provided that costs be covered by the body in question.

#### *Human Resources matters*

11. Bodies under Article XIV of the Constitution, as well as executive secretaries, have, at times, questioned or enquired about human resources policies and rules. This subject-matter involves many facets and it is imperative to make a number of distinctions. The position of principle remains that the secretaries and the secretariat staff of the Article XIV bodies are subject to the Organization's Staff Regulations and Rules, but a number of adjustments to HR policies and practices may be necessary and could be addressed within Management's authority.

12. At its 127<sup>th</sup> Session, the Council<sup>11</sup> reviewed special selection and appointment procedures applicable to the executive secretaries of Article XIV bodies enjoying substantial autonomy, involving a choice of a candidate by the Members of the bodies, and endorsed them. In general terms, the Council considered that insofar as there was full involvement of both the membership and FAO

<sup>8</sup> Financial Regulation : "12.1 An External Auditor, who shall be the Auditor-General (or person exercising an equivalent function) of a Member Nation, shall be appointed in the manner and for the period decided by the Council."

<sup>9</sup> FR 12. 5 whereby "the External Auditor shall be completely independent and solely responsible for the conduct of the audit".

<sup>10</sup> FR 12. 6 whereby "the Finance Committee may request the External Auditor to perform certain specific examinations and issue separate reports on the results".

<sup>11</sup> It is worth recalling the content of the deliberations of the Council on that occasion: "93. The Council recognized that, in cases where the secretary of a body is appointed by the Director-General with the approval of the body concerned, the need arises to harmonize the requirements inherent in the status of the secretaries of functional autonomy and technical accountability towards the concerned bodies and of administrative accountability towards the Organization, as officials of FAO. The Council noted that the selection and appointment process cannot be seen as one including two parallel and independent segments consisting, on the one hand, in the identification of a candidate by the body and, on the other hand, his or her appointment by the Director-General who would be required merely to appoint the selected candidate, without any form of involvement in the process of identification of qualified candidates. The Council stressed that this would not be consistent with the applicable legal framework, including the constitutional duties of the Director-General in the selection and appointment of staff. 94. The Council agreed that the procedure adopted recently by the General Fisheries Commission for the Mediterranean (GFCM), at its Extraordinary Session (Malta, 19-23 July 2004), provided a legally acceptable solution for the appointment of secretaries of bodies under Article XIV of the FAO Constitution having autonomous budgets. The Council invited the Indian Ocean Tuna Commission (IOTC) to amend its Rules of Procedure, as far as the selection and appointment procedure of its secretary is concerned, along the lines of the procedure approved by the GFCM, on the understanding that the revised procedure would apply only in future" (CL 127/REP).

throughout the process of identification of the candidates, this particular procedure applicable to Article XIV bodies was not objectionable.

13. With respect to the selection and appointment of professional staff of the Secretariat a distinction is made between those Article XIV bodies financed by the Regular Programme and those financed by extra-budgetary resources<sup>12</sup>. In respect of the latter, selection and appointment of professional staff are subject to field staff selection procedures and the secretary is involved in the selection of candidates, either as a member, or team leader of the selection panel. With respect to other Article XIV bodies financed by the Regular Programme<sup>13</sup>, standard procedures for the appointment of Professional Staff apply involving the Professional Staff Selection Committee (PSSC). Some issues were raised regarding the procedures for making submissions to the respective staff selection bodies, which are being examined in consultation with the HR Division.

14. With respect to the performance appraisal and assessment of secretaries of Article XIV bodies, the Organization's Performance Evaluation and Management System (PEMS) is currently being reviewed and internal consultations are on-going with a view to addressing the question of the supervisory authority over secretaries of Article XIV bodies. A proposal has been made aimed at allowing for an adequate assessment of the functional and operational matters by membership, on the one hand, and purely administrative matters by Management, on the other hand. This matter is of particular relevance for secretaries of those Article XIV bodies enjoying a substantial degree of autonomy<sup>14</sup>.

15. General Service Staff serving on secretariats of bodies under Article XIV of the Constitution located at Headquarters are currently all subject to standard HR policies and procedures applicable to Headquarters staff, irrespective of whether the bodies have the status of field projects or not. This has generated some issues in the context of the Organization's redeployment exercises, non-renewal as well as selection processes. Taking a different approach would however be difficult, in particular at Headquarters, in view of the fairly high degree of "*interchangeability*" of positions in the General Service category. While the Finance Committee is invited to note that the Organization is prepared to examine this matter further, it is also invited to advise on how to deal with requests for deviations from established procedures with respect to appointment and selection, redeployment and non-renewal of General Service staff serving on bodies under Article XIV of the Constitution financed by autonomous budgets and located at Headquarters.

16. Some Article XIV bodies enjoying a substantial level of functional autonomy have raised issues relating to the contractual arrangement for the use of Non-Staff Human Resources (NSHR)<sup>15</sup>. Secretaries expressed the desire to be enabled to set their own, appropriate and competitive consultancy rates. Where possible requests have been accommodated. In December 2012, the maximum ceiling for the honorarium of PSAs and consultants has been raised up of USD622 and this seems to have settled any outstanding issues.

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<sup>12</sup> The Article XIV bodies funded by extra-budgetary funds (e.g. Indian Ocean Tuna Commission, Seychelles) have the status of field projects, including those of field projects based at Headquarters (e.g. General Fisheries Commission Mediterranean, Rome).

<sup>13</sup> E.g. the Secretariat of the International Plant Protection Convention.

<sup>14</sup> E.g. The IOTC, GFCM and ITPGRFA.

<sup>15</sup> Personal Service Subscriber (PSA)(MS 319) and Consultants (MS 317).

17. Since July 2011, a new Manual Section 507 – Letters of Agreement – was implemented resulting in updated templates, necessary operational flexibility, internal control and support documents that facilitate the conclusion and implementation of LoAs with more ease and convenience, including for Article XIV bodies. Occasionally, exceptions to the rules are requested on minor issues (for example approving the extension of an LoA even though it has already expired), but no major deviation from the rules has been requested. It is recommended that any deviation or concerns expressed continue to be addressed through internal consultation.

#### *Channels of communication with Governments*

18. The FAO Administrative Manual sets rules on channels of communication with Governments<sup>16</sup>. There might be a need for some bodies<sup>17</sup> to interact with heads of Government departments and for a relaxation of these rules. Informal adjustments have, in any case, been made from time to time. It might be appropriate to regularize this matter by devising special rules and criteria regarding official correspondence, and within parameters to be defined, secretariats could be allowed to inter-act with the membership up to a certain level of government authorities. However, the units that “host” or have relations with the secretariats of Article XIV bodies should be kept informed of such correspondence in order to ensure synergies of programmes and consistency of policies. It is suggested that the Correspondence Manual be adjusted to reflect the particular situation of the Article XIV bodies. This is a matter primarily for Management.

#### *Relations with donors*

19. The Technical Cooperation (TC) Department has overall responsibility for resource mobilization and the Assistant Director-General, TC has authority to sign donor agreements with donor government agencies, multilateral agencies and unilateral Trust Fund donors. The matter is of some importance in consideration of the fact that IPA Action 2.69 refers specifically to the possibility for bodies to exercise greater financial and administrative authority and “*mobilize additional funding from their members, while remaining within the framework of FAO and maintaining a reporting relationship with it*”. For the past few years, some secretaries of Article XIV bodies have occasionally been able to sign donor agreements on behalf of the Organization, on the basis of a delegation from the Assistant Director-General, TC. Some secretariats may have maintained direct relations with donors because they were under a legal obligation to implement funding strategies flowing directly from the constituent instruments or from decisions of their governing bodies. Besides these particular circumstances, in general, facilities regarding resource mobilization granted to secretaries of Article XIV bodies should be subject to a need for overall coherence in resource mobilization activities of FAO and, therefore, discussed by the secretaries with the relevant units of the Organization, as appropriate. The matter is primarily one within the authority of Management.

#### *Organization of meetings*

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<sup>16</sup> Sections 602 (Correspondence Handbook) and 603 (Guidelines for the Preparation and Dispatch of Correspondence).

<sup>17</sup> Some of them entrusted with authority to adopt regulatory measures directly binding upon Members.

20. Prior to each meeting held outside Headquarters or outside the main regional and sub-regional offices, the Director-General is required to conclude an arrangement defining responsibilities of the host government and FAO<sup>18</sup> in respect of meetings. This arrangement sets a number of requirements linked to the status of FAO as an intergovernmental universal non-profit organization of the United Nations System, under the framework of which Article XIV bodies operate.

21. It would seem important that memoranda of responsibilities should continue to be concluded by the Director-General. It is also important that the integrity of the regime of privileges and immunities be duly safeguarded as this is an essential condition for the operation of the organizations of the United Nations System as a whole<sup>19</sup>, as confirmed by past reviews of the matter by the CCLM. In light of the above considerations, the Finance Committee may wish to confirm that memoranda of responsibilities in connection with meetings convened by Article XIV bodies continue to be concluded by the Director-General.

22. As a general rule, bodies under Article XIV of the Constitution do organize a substantial number of meetings and commission a large number of translations through the Meeting Programming and Documentation Service (CPAM). Not infrequently, the membership of Article XIV bodies has expressed reservations with respect to some current arrangements and has requested increased reliance on outsourcing. The matter has been raised in many “autonomous” Article XIV bodies and some have taken the initiative to reduce costs by means of limiting the number of languages used in meetings. The Finance Committee may wish to advise whether a selective approach to outsourcing of the translation of documents could be considered in respect of some Article XIV bodies. However, this raises much broader issues affecting current policies of the Organization on the matter.

*Participation of observers from non-governmental organizations and other stakeholders in meetings of bodies*

23. Pending the establishment and adoption of new policies, secretaries of Article XIV bodies could seek to implement, in consultation with concerned units of the Organization and the chairpersons of the concerned bodies, *ad hoc* measures for inviting NGOs and other stakeholders. It is proposed to continue with the current pragmatic, flexible and differentiated approach regarding participation of non-governmental organizations in meetings of the Organization including bodies under Article XIV of the Constitution<sup>20</sup>. This approach has operated in a satisfactory manner and has allowed for increased participation in a range of meetings of Article XIV bodies of representatives of civil society and non-governmental organizations, while responding to the specific needs of the bodies in question and the concerns of their respective constituencies.

*The issue of the reporting relationship with FAO*

24. The issue of the reporting relationship with FAO and its Governing Bodies is an issue which could continue to be under review in the future. In addition, as evidenced in the attached table, the scope and purpose of reporting is primarily defined with respect to each body in the light of its constituent instruments and taking into account the views of the Organization.

<sup>18</sup> Called “Memorandum of Responsibilities”.

<sup>19</sup> Also taking into account the fact that any deviation by one organization from the regime generally accepted has implications in respect of other organizations of the system.

<sup>20</sup> In this context it should also be noted that upon request of the Council at its 145<sup>th</sup> Session, a complete and updated version of the strategy for partnerships with civil society and the strategy for partnership with the private sector will be submitted to the next Joint Meeting of the Finance and Programme Committees in March 2013, for approval by the Council in April 2013.

#### **IV. PRINCIPLES AND PROCEDURES WHICH SHOULD GOVERN CONVENTIONS AND AGREEMENTS CONCLUDED UNDER ARTICLES XIV AND XV OF THE CONSTITUTION, AND COMMISSIONS AND COMMITTEES ESTABLISHED UNDER ARTICLE VI OF THE CONSTITUTION**

25. In earlier submissions the question of whether the above principles and procedures set forth in Part O of the Basic Texts should be amended was raised. The Principles were adopted in 1957 and were amended on specific points on a few occasions, notably in 1991. They should be amended in a number of respects not only in connection with Article XIV bodies but also in connection with committees and commissions under Article VI of the Constitution. Again, the situation of Article XIV bodies is very much differentiated and evolving and it would not be easy to re-define at present a substantial number of rules and procedures so as to ensure that they respond to actual needs and “fit all situations”. This exercise could be carried out at a later stage. Meanwhile, the Organization would implement the measures foreseen in this review.

#### **V. SUGGESTED ACTION BY THE COMMITTEE**

26. The Finance Committee is invited to review this document and offer such views thereon as appropriate. In doing so, the Finance Committee may wish to take into account the status and situation of each body, as presented in **Appendix I**, and the views of the CCLM which, at its 95<sup>th</sup> Session, has made a number of recommendations on the matter, presented in **Appendix II** hereto.

27. The Finance Committee is, in particular, invited to :

- (a) confirm the differentiated nature and functional needs of Article XIV bodies;
- (b) confirm the need for a determination of the bodies to which the recommendations of this review would apply, taking into account the views of the Members, the nature of the activities exercised, the existing oversight mechanism of any specific body and the overall status of the bodies in question or to establish criteria on the basis of which the secretariat will determine bodies eligible to facilities foreseen in this review;
- (c) advise on the observations made in this review in paragraphs 11 to 16 (human resources matters), paragraph 18 (communications with Governments) and paragraph 19 (relations with donors) which are generally within Management’s authority;
- (d) advise on budgetary, financial and audit issues as appropriate (cf. paragraphs 8 to 10);
- (e) advise on matters relating to servicing of meetings, including translation of documents in light of the observations made in this document (cf. paragraphs 20 to 22);
- (f) note the considerations regarding participation in meetings of representatives of non-governmental organizations, civil society organizations and other stakeholders and advise on the need to formulate a comprehensive set of rules and procedures regarding their participation in meetings of Article XIV bodies (cf. paragraph 23);
- (g) note the observations regarding the issue of the reporting relationship between Article XIV bodies and FAO varies in view of the specific legal status of each body (cf. paragraph 24);

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- (h) note that, in view of the evolution under way regarding the status of Article XIV bodies as well as their differentiated nature, the proposed amendments to the Principles should be deferred, until further experience on the matter is gained. The implementation of the recommendations of this review would obviate the need for immediate review of the Principles (cf. paragraph 25).

### Appendix I

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>International Rice Commission (IRC)</b></p> <p>The Constitution was approved by the Conference in 1948 and entered in force in 1949. It was subsequently amended in: 1953, 1955, 1961, 1973 and 1982.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Global</p> <p>62 Member Nations</p> <p>General objectives: production, conservation, distribution and consumption of rice, except matters relating to international trade.</p>	<ul style="list-style-type: none"> <li>● Constitution of IRC (the Constitution);</li> <li>● Rules of Procedure (RoP).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● recommendations to Members through the DG;</li> <li>● recommendations to the DG for the provision of technical assistance to Members;</li> <li>● review of scientific, technical and economic problems that bear upon the object f the Commission;</li> <li>● promotion and coordination of projects;</li> <li>● collection and dissemination of information.</li> </ul> <p><b>Audit:</b> the examination and audit of the accounts of the Commission shall be conducted at the FAO headquarters.</p>
<p><b>International Plant Protection Convention (IPPC)</b></p> <p>The Convention was signed in 1951 and entered in force in 1952.</p> <p>The IPPC is governed by the Commission on Phytosanitary Measures (CPM), which was established under Article XII of IPPC, and serves as the Convention's governing body.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Global</p> <p>177 contracting parties</p> <p>General objectives: protection of plants and plan products.</p>	<ul style="list-style-type: none"> <li>● International Plant Protection Convention (IPPC);</li> <li>● Rules of Procedure of CPM (RoP);</li> <li>● Procedure Manual (PM);</li> <li>● Financial Guidelines for the Trust Fund for the IPPC (as adopted at CPM4, 2009).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● international standards (standards are recognized as reference point for international trade);</li> <li>● guidelines regarding the recognition of regional plant protection organizations;</li> <li>● recommendations for the implementation of the Convention;</li> <li>● review of the state of the plant protection</li> </ul> <p><b>Member States undertake to:</b></p> <ul style="list-style-type: none"> <li>● establish an official national plant protection organization;</li> <li>● make arrangements for phytosanitary certification in conformity with IPPC;</li> <li>● conformity to phytosanitary measures for quarantine pests and regulated non-quarantine pests;</li> <li>● exercise sovereign authority to regulate the entry of plants and plant products in conformity IPPC.</li> </ul> <p><b>Adoption of the budget:</b> the Commission adopts the budget of the TF.</p>
<p><b>Asia and Pacific Plant Protection Commission (APPPC)</b></p> <p>The Plant Protection Agreement for the Asia and Pacific Region was signed in 1955 and amended in 1967, 1979, 1983, 1999.</p> <p>The Agreement as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region), is binding for 7 contracting members (Agreement A); the Agreement as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region and to introduce mandatory contributions) is binding for 17 contracting members (Agreement B).</p> <p>The Agreement amended in 1999 is not currently in force.</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p>Regional</p> <p>7 contracting members (Agreement A)</p> <p>General objectives: plant protection.</p> <hr/> <p>Regional</p> <p>17 contracting members (Agreement B)</p> <p>General objectives: plant protection.</p>	<ul style="list-style-type: none"> <li>● Plant Protection Agreement for the Asia and Pacific Region as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region),(Agreement A).</li> <li>● Plant Protection Agreement for the Asia and Pacific Region as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region and to introduce mandatory contributions), (Agreement B);</li> <li>● Rules of procedure of APPPC (RoP);</li> <li>● APPPC Financial Rules (Financial Rules).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● determination of procedures and arrangements necessary for the implementation of the Agreement;</li> <li>● review of reports submitted by the Contracting Parties on progress in the implementation of the Agreement;</li> <li>● consideration for problems requiring cooperation on a regional basis and of measures for mutual assistance;</li> <li>● measures of prohibition, certification, inspection, disinfection, quarantine, destruction or other measures with respect to the importation of any plants, including their packaging and containers, and any packaging and containers of plant origin: (i) from anywhere outside the Region; and (ii) from another territory within the Region.</li> </ul> <p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>● measures to exclude South American Leaf Blight of Hevea from the Region, as specified in Appendix B of the Agreement.</li> </ul> <p><b>Adoption of budget (Agreement B):</b> the Commission adopts the budget and transmits it the DG for submission to the FAO Council prior to implementation.</p>

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>Commission for Controlling the Desert Locust in South West Asia (SWAC)</b></p> <p>The establishing agreement was signed in 1963, and entered in force in 1964.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Regional 4 Member Nations</p> <p>General objectives: control of plagues of the Desert Locust within the area.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of SWAC (the Agreement);</li> <li>● Rules of Procedure (RoP).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● planning and implementation of joint action for the survey and control of desert locust in the Region;</li> <li>● assistance and promotion of national, regional or international action relating to the control or survey of the desert locust;</li> <li>● assistance, at the request of any Member whose territory is faced with Desert Locust situations beyond the capacity of this national services to control and survey, in any measures jointly agreed to that may become necessary;</li> <li>● maintenance of reserves of anti-locust equipments, insecticides and other supplies, to be used in case of emergency.</li> </ul> <p><b>Member States undertake to:</b></p> <ul style="list-style-type: none"> <li>● maintain through the Secretary and/or between members of the Commission a regular exchange of information on the current locust situation;</li> <li>● carry out all possible measures for preventive control of the desert locust within member countries and to reduce crop damage by maintaining a permanent locust information and reporting service, holding reserves of insecticides and application equipment, encouraging and supporting training, survey and research work in the field;</li> <li>● submit to the Commission periodic reports on the actions taken to fulfill the above mentioned obligations.</li> </ul> <p><b>Adoption of the budget:</b> after approval by the Commission, the budget is transmitted to the DG for submission to the Council prior to implementation.</p>
<p><b>Commission for Controlling the Desert Locust in the Central Region (CRC)</b></p> <p>The establishing agreement was signed in 1965 and entered in force in 1967.</p> <p><b>Seat:</b> Cairo.</p>	<p>Regional 17 Member Nations</p> <p>General objectives: control of plagues of the Desert Locust within the area.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of CRC (the Agreement);</li> <li>● Rules of Procedure (RoP).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● planning and promotion of joint action for the survey and control of the Desert Locust in the Region wherever required and, to this effect, arrangement of means whereby adequate resources can be made available;</li> <li>● assistance and promotion of national, regional or international action relating to the control or survey of the Desert Locust;</li> <li>● determination of the nature and extent of assistance needed by Members for regional programmes;</li> <li>● assistance, at the request of any Member whose territory is faced with Desert Locust situations beyond the capacity of this national services to control and survey, in any measures jointly agreed to that may become necessary;</li> <li>● maintenance of reserves of anti-locust equipment, insecticides and other supplies, to be used in cases of emergency.</li> </ul> <p><b>Adoption of the budget:</b> the draft budget of the Commission is prepared by the Secretariat and submitted to the Commission by the Executive Committee for approval.</p>

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>Commission for Controlling the Desert Locust in the Western Region (CLCPRO)</b></p> <p>The establishing agreement was signed in 2000, and entered into force in 2002.</p> <p><b>Seat:</b> Alger (Algeria).</p>	<p>Regional 10 Member Nations</p> <p>General objectives: control of plagues of the Desert Locust within the area.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of CLCPRO (the Agreement);</li> <li>● Rules of Procedure (RoP).</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● promotion of national, regional and international measures and researches with a view to defeat desert locust in the Region;</li> <li>● planning and promotion of joint action for the survey and control of the Desert Locust in the Region wherever required and, to this effect, arrangement of means whereby adequate resources can be made available;</li> <li>● assistance, at the request of any Member whose territory is faced with Desert Locust situations beyond the capacity of this national services to control and survey, in any measures jointly agreed to that may become necessary;</li> <li>● determination, in consultation with the Members concerned, of the nature and extent of assistance needed by Members for regional programmes;</li> <li>● maintenance of reserves of anti-locust equipment, insecticides and other supplies, to be used in cases of emergency.</li> </ul> <p><b>Adoption of the budget:</b> the draft budget of the Commission is prepared by the Secretariat and submitted to the Commission by the Executive Committee for approval. After approval, the budget is transmitted to the DG for its implementation.</p>
<p><b>International Poplar Commission (IPC)</b></p> <p>Established in 1947 during the "Semaine internationale du Peuplier" organized by the French Government. The Conference, at its 10th Session (1959), approved a convention placing the Commission within the framework of FAO. The Convention placing the International Poplar Commission within the framework of FAO entered in force in 1961. The Convention was subsequently amended in: 1967 and in 1977.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Global 37 Member Nations</p> <p>General objectives: promotion and study of the scientific, technical, social and economic aspects of poplar and willow cultivation.</p>	<p>Convention placing the International Poplar Commission within the framework of FAO.</p>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● study of scientific, technical, social and economic aspects of poplar and willow cultivation;</li> <li>● promotion of exchange of ideas and material between research workers, producers and users;</li> <li>● arrangement of joint research programs;</li> <li>● recommendations to the FAO Conference, through the DG;</li> <li>● recommendations to National Poplar Commissions, through the DG and the Governments concerned (Art.III of the Convention).</li> </ul> <p><b>Member States undertake to:</b> establish a National Poplar Commission or, if not possible, designate a suitable national body (Art. IV of the Convention).</p> <p><b>Adoption of the budget:</b> the Commission adopts its Programme and Budget. The Budget is transmitted to the DG for submission to the Council prior to implementation.</p>
<p><b>Governing Body (GB) of the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA)</b></p> <p>The Treaty was signed in 2001 and entered into force in 2004.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Global 128 Contracting Parties</p> <p>General objectives: conservation and sustainable use of plant genetic resources for food and agriculture.</p>	<ul style="list-style-type: none"> <li>● the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA);</li> <li>● Rules of Procedure;</li> <li>● Financial Rules.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● provision of policy direction and guidance to monitor the IT-PGRFA;</li> <li>● policy directionism, guidance and recommendations for the implementation of the Multilateral System;</li> <li>● adoption of such recommendations as necessary for the implementation of the Treaty and, in particular, for the operation of the Multilateral System;</li> <li>● establishment and maintenance of cooperation with other international organizations and treaty bodies;</li> <li>● consideration and approval of cooperative and effective procedures and operational mechanisms to promote compliance with the provisions of this Treaty and to address issues of non-compliance.</li> </ul> <p><b>Member States undertake to:</b></p> <ul style="list-style-type: none"> <li>● conform national laws, regulations and procedures with the obligations provided in the IT-PGRFA;</li> <li>● subject to national legislation, and in cooperation with other Contracting Parties where appropriate, promote an integrated approach to the exploration, conservation and sustainable use of plant genetic resources for food and agriculture;</li> <li>● develop and maintain appropriate policy and legal measures that promote the sustainable use of plant genetic resources for food and agriculture;</li> <li>● cooperate with other Contracting Parties, directly or through FAO, and other relevant international organizations, in the conservation and sustainable use of plant genetic resources for food and agriculture.</li> </ul> <p><b>Adoption of the budget:</b> the Governing Body adopts the budget of the IT-PGRFA.</p>

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>European Commission for the Control of Foot-and-Mouth Disease (EUFMD)</b></p> <p>The Constitution was signed in 1953 and entered in force in 1954. It was subsequently amended in: 1962, 1973, 1977, and 1997.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Regional 36 European Member Nations</p> <p>General objectives: prevention and control of foot-and-mouth disease (FMD) in Europe.</p>	<ul style="list-style-type: none"> <li>• Constitution of EUFMD (the Constitution);</li> <li>• Rules of Procedure;</li> <li>• Financial Regulations.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>• collection of information on national programmes for control and research on foot-and-mouth disease;</li> <li>• determination of the nature and extent of assistance needed by the Member States for implementing their national programmes;</li> <li>• insurance of availability of an international laboratory with facilities for rapid characterization of virus by appropriate methods;</li> <li>• arrangement of suitable facilities for the typing and characterization of the virus;</li> <li>• maintenance of information on the stocks of antigen and vaccine available in member countries and other countries;</li> <li>• advices to other organizations on the allocation of any available funds for assisting in prevention and control of foot-and-mouth disease.</li> </ul> <p>Member States undertake to control foot-and-mouth disease with a view to its ultimate eradication by:</p> <ul style="list-style-type: none"> <li>• the institution of suitable quarantine and sanitary measures;</li> <li>• a slaughter policy;</li> <li>• slaughter together with vaccination;</li> <li>• maintenance of totally immune cattle population by vaccination;</li> <li>• other susceptible livestock may be vaccinated.</li> <li>• vaccination in zones surrounding outbreaks.</li> </ul> <p>Methods adopted shall be rigorously carried out (Art. II of the Constitution).</p> <p><b>Adoption of the budget:</b> the Executive Committee submits the Programme and Administrative Budget, or special budgets as the case may be, to the Commission for submission to the FAO Finance Committee.</p>
<p><b>Regional Animal Production and Health Commission for Asia and the Pacific (APHCA)</b></p> <p>The establishing agreement was signed in 1973 and entered in force in 1975.</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p>Regional 18 Member Nations</p> <p>General objectives: promotion of livestock development and action with respect to animal health and husbandry problems in Asia, the Far East and the Southwest Pacific.</p>	<ul style="list-style-type: none"> <li>• Agreement for the establishment of APCHA (the Agreement);</li> <li>• Rules of Procedure.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>• planning and promotion of joint action for the improvement of animal production;</li> <li>• planning and promotion of joint action for the survey and control of contagious and infectious diseases;</li> <li>• planning and promotion of joint action to establish educational programmes to meet the needs of the animal industry and advise on standardization of education courses;</li> <li>• determination of the nature and extent of assistance needed by Members to implement their national livestock development programmes and to support regional programmes</li> <li>• assistance in the control of epizootic and communicable diseases whose control may be beyond the capacity of national services.</li> </ul> <p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>• recommendations on common standards and practices for the purpose of planning and promoting joint action for the survey and control of contagious and infectious diseases (Art.VI.1(b) of the Agreement);</li> <li>• recommendations on common Regional standards and practices of animal production and health (Art.VII.2 of the Agreement).</li> </ul> <p><b>Member States undertake to:</b></p> <ul style="list-style-type: none"> <li>• maintain, directly and through the Secretary of the Commission, a regular exchange of information;</li> <li>• promote the growth of livestock industries in their respective countries.</li> </ul> <p><b>Adoption of the budget:</b> the Commission adopts its Programme and Budget. The Budget is transmitted to the DG for submission to the Council prior to implementation.</p>

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>Asia-Pacific Fishery Commission (APFIC)</b></p> <p>The Commission was established in 1948, as recommended by the 3rd Session of the Conference in 1947. Its establishing Agreement was amended at the 25th Session of the Commission (1996) and approved by the Council at its 112th Session (1997).</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p>Regional 21 Member Nations</p> <p>General objectives: promotion of the full and proper utilization of living aquatic resources.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of APFIC (the Agreement);</li> <li>● Rules of Procedure.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● programmes or projects to (i) increase the efficiency and sustainable productivity of fisheries and aquaculture; (ii) conserve and manage resources; (iii) protect resources from pollution;</li> <li>● promotion, coordination and, as appropriate, undertaking of training and extension activities in all aspects of fisheries;</li> <li>● promotion, coordination and, as appropriate, undertaking of research and development activities in all respects of fisheries (Art. IV of the Agreement).</li> </ul> <p><b>Adoption of the budget:</b> the Budget is approved by the Commission. After approval by the Commission, the budget shall be submitted to the DG for consideration in the preparation of the general budget estimates of the Organization.</p>
<p><b>Central Asian and Caucasus Regional Fisheries and Aquaculture Commission (CACfish)</b></p> <p>Signed in 2009 and entered into force in 2010.</p> <p><b>Seat:</b> Ankara (Turkey).</p>	<p>Regional 4 members</p> <p>General objectives: development, conservation, rational management and best utilization of living aquatic resources; as well as promotion of the sustainable development of aquaculture in the region.</p>	<ul style="list-style-type: none"> <li>● Agreement on the Central Asian and Caucasus Regional Fisheries and Aquaculture Commission (the Agreement);</li> <li>● Rules of Procedures (RoP);</li> <li>● Financial Regulations (FR).</li> </ul>	<p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>● measures for the conservation and rational management of living aquatic resources and for the implementation of these recommendations;</li> <li>● recommendation, coordination and, as appropriate, undertaking of activities relating to training and extension, research and development, including cooperative projects in the areas of fisheries and aquaculture (Art. III of the Agreement).</li> </ul> <p><b>Adoption of the budget:</b> the budget, and special budget as appropriate, is approved by the Commission. After approval, the budget is transmitted to the Finance Committee for its information.</p>
<p><b>General Fisheries Commission for the Mediterranean (GFCM)</b></p> <p>The establishing agreement was signed in 1949 and was amended afterwards, providing further obligations upon the Parties and requiring their formal acceptance. The amended text of the Agreement entered in force in 2004.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>Regional 21 Member Nations</p> <p>General objectives: development, conservation, rational management and best utilization of living marine resources in the Mediterranean and the Black Sea.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of GFCM;</li> <li>● Rules of Procedure;</li> <li>● Financial Regulations.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● review of the state of living marine resources;</li> <li>● review of the economic and social aspects of the fishing industry and recommend any measures aimed at its development;</li> <li>● promotion, coordination and undertaking of training and extension activities in all aspects of fishery;</li> <li>● promotion, coordination and undertaking of research and development activities and cooperative projects;</li> <li>● collection and dissemination of information;</li> </ul> <p>promotion of programmes for marine and brackish water aquaculture and coastal fisheries enhancement.</p> <p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>● measures for the conservation and rational management of living marine resources (measures for regulating fishing methods and fishing gear, prescribing the minimum size for individuals of specified species, establishing open and closed fishing seasons and areas, regulating the amount of total catch and fishing effort and their allocation among Members);</li> <li>● measures for the implementation of these recommendations.</li> </ul> <p><b>Adoption of the budget:</b> the autonomous budget is adopted by the Commission and shall be submitted to FAO Finance Committee for its information. Special budgets may be adopted by the Commission in exceptional circumstances as appropriate.</p>

Article XIV Body (date of establishment)	Global/Regional scope and Membership	Legal Framework	Authority
<p><b>Indian Ocean Tuna Commission (IOTC)</b></p> <p>The establishing agreement was signed in 1993 and entered in force in 1996.</p> <p><b>Seat:</b> Victoria (Seychelles).</p>	<p>Regional 30 Member Nations</p> <p>General objectives: conservation and optimum utilization of stocks covered by this Agreement.</p>	<ul style="list-style-type: none"> <li>● Agreement for the establishment of the Indian Ocean Tuna commission (the Agreement);</li> <li>● Rules of Procedure;</li> <li>● Financial Regulations</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● promotion of cooperation among Member States with a view to ensuring the conservation and optimum utilization of stocks;</li> <li>● review of the conditions and trends of stocks;</li> <li>● collection and dissemination of information;</li> <li>● promotion and coordination of research and development activities in respect of stocks and fisheries;</li> <li>● review of the economic and social aspects of the fisheries.</li> </ul> <p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>● conservation and management measures.</li> </ul> <p><b>Adoption of the budget:</b> the Administrative Budget, the autonomous budget, and the special budgets in exceptional circumstances as appropriate, are adopted by the Commission. The Administrative Budget shall be submitted to <i>FAO Finance Committee for its information</i>.</p>
<p><b>Regional Commission for Fisheries (RECOFI)</b></p> <p>The establishment agreement was signed in 1999, but entered in force in 2001.</p> <p><b>Seat:</b> Cairo (Egypt).</p>	<p>Regional 8 Member Nations</p> <p>General objectives: development, conservation, rational management and best utilization of living marine resources, as well as the sustainable development of aquaculture, in the region.</p>	<ul style="list-style-type: none"> <li>● Agreement for the Establishment of RECOFI (the Agreement);</li> <li>● Rules of procedure.</li> </ul>	<p><b>Advisory and managerial authority:</b></p> <ul style="list-style-type: none"> <li>● training and extension activities in all aspects of fisheries.</li> <li>● research and development activities, including cooperative projects in the areas of fisheries and the protection of living marine resources (Art.III of the Agreement).</li> </ul> <p><b>Regulatory authority:</b></p> <ul style="list-style-type: none"> <li>● measures regulating fishing methods and fishing gear;</li> <li>● measures prescribing the minimum size for individuals of specified species;</li> <li>● measures establishing open and closed fishing seasons and areas;</li> <li>● measures regulating the amount of total catch and of fishing effort and their allocation among Members.</li> </ul> <p><b>Adoption of the budget:</b> the Commission adopts its budget. After approval, the budget is submitted to the DG for consideration in the preparation of the general budget estimates of FAO.</p>

Article XIV Body (date of establishment)	Funding <sup>21</sup>	Status of Secretariat <sup>22</sup>	Reporting to FAO Governance
<p><b>International Rice Commission (IRC)</b></p> <p>The Constitution was approved by the Conference in 1948 and entered in force in 1949. It was subsequently amended in: 1953, 1955, 1961, 1973 and 1982.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p><b>RP funding:</b> US\$ 156,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG shall appoint and provide the Secretariat of the Commission from the staff of the Organization.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.5 RP</li> </ul> <p><b>Reporting:</b> the Secretary reports to the DG, through the ADG/AG.</p>	<p>Recommendations having policy, program or financial implications for FAO shall be brought by the DG to the attention of the Conference through the Council for appropriate action.</p>
<p><b>International Plant Protection Convention (IPPC)</b></p> <p>The Convention was signed in 1951 and entered in force in 1952. The IPPC is governed by the Commission on Phytosanitary Measures (CPM), which was established under Article XII of IPPC, and serves as the Convention's governing body.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p><b>RP funding:</b> US\$ 5,900,000 for biennium 2012-2013</p> <p><b>TF funding:</b> US\$ 1,675,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary shall be appointed by the DG. The Secretary shall be assisted by such staff as may be required.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 6 RP</li> <li>● <b>GS staff:</b> 3 RP</li> <li>● <b>NSHR:</b> 6-8 RP + 6-7 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to ADG/AG on administrative matters.</li> </ul>	<p>Recommendations having policy, program or financial implications for FAO shall be brought by the DG to the attention of the Conference and/or of the Council for appropriate action.</p>
<p><b>Asia and Pacific Plant Protection Commission (APPPC)</b></p> <p>The Plant Protection Agreement for the Asia and Pacific Region was signed in 1955 and amended in 1967, 1979, 1983, 1999.</p> <p>The Agreement as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region), is binding for 7 contracting members (Agreement A); the Agreement as approved in 1955 and amended in 1967, 1979 and in 1983 (to include China in the definition of the Region and to introduce mandatory contributions) is binding for 17 contracting members (Agreement B).</p> <p>The Agreement amended in 1999 is not currently in force.</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p><b>RP funding:</b> US\$ 292,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 339,000 for biennium 2010-2011 (US\$ 169 500 for the year 2011)</p> <p><b>TF funding:</b> US\$ 525,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG appoints the Secretary with the approval of the Commission. The DG appoints and provides the Secretariat of the Commission from the staff of the Organization.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.5 RP</li> <li>● <b>GS staff:</b> 0.4 RP</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to DG on administrative matters.</li> </ul>	<p>Recommendations having policy, program or financial implications for FAO shall be brought by the DG to the attention of the Conference and/or of the Council for appropriate action.</p> <p>Recommendations and decisions of the Commission having policy, programme or financial implications for FAO shall be brought by the Secretary, through the DG, to the attention of the Conference or Council for appropriate action.</p>

<sup>21</sup> Assessed contributions towards autonomous budgets are paid into a Trust Fund. Assessed Contributions may or may not be released in full and, as a consequence, this may account for some discrepancies in the figures. In addition, a particular body may benefit from other Trust Fund resources.

<sup>22</sup> Figures regarding positions financed by Trust Funds may be indicative.

Article XIV Body (date of establishment)	Funding <sup>23</sup>	Status of Secretariat <sup>24</sup>	Reporting to FAO Governance
<p><b>Commission for Controlling the Desert Locust in South West Asia (SWAC)</b></p> <p>The establishing agreement was signed in 1963, and entered in force in 1964.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p><b>RP funding:</b> US\$ 138,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 142,900 for biennium 2013-2014 (US\$ 71,450 per annum)</p> <p><b>TF funding:</b> US\$ 163,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG provides the Secretary and staff of the Commission.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.3 RP</li> <li>● <b>GS staff:</b> 0.3 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to AGPP on administrative matters.</li> </ul>	<p>The Commission shall keep the DG fully informed of its activities and transmit to him the reports and recommendations of the Commission, its accounts, its Program and its Budget, the latter for submission to the Council prior to implementation.</p> <p>The Commission shall transmit to the DG the reports and recommendations of the Commission, for such action by the Council or the Conference as may be appropriate.</p>
<p><b>Commission for Controlling the Desert Locust in the Central Region (CRC)</b></p> <p>The establishing agreement was signed in 1965 and entered in force in 1967.</p> <p><b>Seat:</b> Cairo.</p>	<p><b>RP funding:</b> US\$ 500,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 266,850 for the year 2012</p> <p><b>TF funding:</b> US\$ 700,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG provides the Secretary and staff of the Commission.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 1.2 RP</li> <li>● <b>GS staff:</b> 0.2 RP + 2TF</li> <li>● <b>NSHR:</b> 1 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to AGPP on administrative matters.</li> </ul>	<p>The Commission shall keep the DG fully informed of its activities and transmit to him the reports and recommendations of the Commission, its accounts, its Program and its Budget for such action by the Council or the Conference as may be appropriate.</p>
<p><b>Commission for Controlling the Desert Locust in the Western Region (CLCPRO)</b></p> <p>The establishing agreement was signed in 2000, and entered into force in 2002.</p> <p><b>Seat:</b> Alger (Algeria).</p>	<p><b>RP funding:</b> US\$ 530,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 639,000 for the year 2011</p> <p><b>TF funding:</b> US\$ 575,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG provides the Secretary and staff of the Commission.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 1.2 RP + 2 TF</li> <li>● <b>GS staff:</b> 2.5 RP + 0.2 TF</li> <li>● <b>NSHR:</b> 1 RP + 3 seconded by Algerian MOFA</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to AGPP on administrative matters.</li> </ul>	<p>The Commission shall keep the DG fully informed of its activities and transmit to him the reports and recommendations of the Commission, its accounts, its Program and its Budget for such action by the Council or the Conference as may be appropriate.</p>
<p><b>International Poplar Commission (IPC)</b></p> <p>Established in 1947 during the "Semaine internationale du Peuplier" organized by the French Government. The Conference, at its 10th Session (1959), approved a convention placing the Commission within the framework of FAO. The Convention placing the International Poplar Commission within the framework of FAO entered in force in 1961. The Convention was subsequently amended in: 1967 and in 1977.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p><b>RP funding:</b> US\$ 422,000 for biennium 2012-2013</p> <p><b>TF funding:</b> US\$ 30,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary is appointed by the DG from amongst the senior staff of the Organization.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.7 RP</li> <li>● <b>GS staff:</b> 0.25 RP</li> <li>● <b>NSHR:</b> US\$ 4,000 RP + US\$ 13,000 TF<sup>25</sup></li> </ul> <p><b>Reporting:</b> the Secretary reports to the DG.</p>	<p>The Commission shall report and make recommendations to the Conference, through the DG.</p>

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<sup>24</sup> Figures regarding positions financed by Trust Funds may be indicative.

<sup>25</sup> Besides salary costs, NSHR may include additional costs (e.g. travel costs).

Article XIV Body (date of establishment)	Funding <sup>26</sup>	Status of Secretariat <sup>27</sup>	Reporting to FAO Governance
<p><b>Governing Body (GB) of the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA)</b></p> <p>The Treaty was signed in 2001 and entered into force in 2004.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>RP funding: US\$ 1,987,200 for biennium 2012-2013</p> <p>TF funding: US\$ 12,723,063 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary of the GB is appointed by the DG, with the approval of the Governing Body. The Secretary shall be assisted by such staff as may be required.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 2 RP + 7 TF</li> <li>● <b>GS staff:</b> 3 RP + 1 TF</li> <li>● <b>NSHR:</b> 3-8 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports to the GB.</p>	<p>Recommendations and decisions of the Governing Body having policy, programme or financial implications for the FAO shall be brought by the Secretary, through the DG of the FAO, to the attention of the Conference or Council of the FAO for appropriate action.</p>
<p><b>European Commission for the Control of Foot-and-Mouth Disease (EUFMD)</b></p> <p>The Constitution was signed in 1953 and entered in force in 1954. It was subsequently amended in: 1962, 1973, 1977, and 1997.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>RP funding: no regular programme funding.</p> <p>Assessed contributions towards autonomous budget: US\$ 543,182 for biennium 2012-2013</p> <p>TF funding: US\$ 6.6 million for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary and staff are appointed by the DG. The staff of the Secretariat is appointed by the DG with the approval of the Executive Committee.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 3 TF</li> <li>● <b>GS staff:</b> 2 TF</li> <li>● <b>NSHR:</b> 6TF</li> </ul> <p><b>Reporting:</b> the Secretary reports to the DG.</p>	<p>The Executive Committee shall prepare the report on the activities of the Commission during the past biennium for approval by the Commission and transmission to the DG.</p> <p>Recommendations having policy, programme or financial implications shall be brought by the DG to the attention of the conference through the Council for action.</p>
<p><b>Regional Animal Production and Health Commission for Asia and the Pacific (APHCA)</b></p> <p>The establishing agreement was signed in 1973 and entered in force in 1975.</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p>RP funding: US\$ 190,000 for biennium 2012-2013</p> <p>Assessed contributions towards autonomous budget: US\$ 90,488.00 for the year 2013</p> <p>TF funding: US\$ 190,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary and staff are appointed by the DG.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.25 RP</li> <li>● <b>GS staff:</b> 0.25 RP + 0.5 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports to the DG.</p>	<p>The Commission shall:</p> <ul style="list-style-type: none"> <li>● keep the DG fully informed of its activities and transmit to him the accounts, the Programme and the Budget of the Commission, the latter for submission to the Council prior to implementation;</li> <li>● transmit to the Director-General the reports and recommendations of the Commission, for such action by the Council or Conference as may be appropriate.</li> </ul> <p>Recommendations having policy, programme or financial implications shall be brought by the DG to the attention of the conference through the Council for action.</p>

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<sup>27</sup> Figures regarding positions financed by Trust Funds may be indicative.

Article XIV Body (date of establishment)	Funding <sup>28</sup>	Status of Secretariat <sup>29</sup>	Reporting to FAO Governance
<p><b>Asia-Pacific Fishery Commission (APFIC)</b></p> <p>The Commission was established in 1948, as recommended by the 3rd Session of the Conference in 1947. Its establishing Agreement was amended at the 25th Session of the Commission (1996) and approved by the Council at its 112th Session (1997).</p> <p><b>Seat:</b> Bangkok (Thailand).</p>	<p>RP funding: US\$ 236,000 for biennium 2012-2013</p> <p>TF funding: no fund for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary and its staff are appointed by the DG.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● P staff: 0.3 RP</li> <li>● GS staff: 0.3 RP</li> </ul> <p><b>Reporting:</b> the Secretary reports to the Commission.</p>	<p>The Commission shall transmit to the DG:</p> <ul style="list-style-type: none"> <li>● a report embodying its views, recommendations and decisions, after each session;</li> <li>● such other reports as it may deem necessary or desirable.</li> </ul> <p>Resolutions and recommendations having policy, programme or financial implications shall be brought by the DG to the attention of the conference through the Council for action.</p>
<p><b>Central Asian and Caucasus Regional Fisheries and Aquaculture Commission (CACfish)</b></p> <p>Signed in 2009 and entered into force in 2010.</p> <p><b>Seat:</b> Ankara (Turkey).</p>	<p><b>RP funding: US\$ 33,000</b></p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 180,000 for biennium 2011-2012</p> <p><b>TF funding:</b> US\$ 204,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG appoints the Secretary and its staff.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● P staff: 0.05 RP</li> <li>● NSHR: 0.6 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports to the Commission.</p>	<p>The Commission shall transmit to the DG:</p> <ul style="list-style-type: none"> <li>● a written report embodying its views, recommendations and decisions, after each session;</li> <li>● such other reports as it may deem necessary or desirable.</li> </ul>
<p><b>General Fisheries Commission for the Mediterranean (GFCM)</b></p> <p>The establishing agreement was signed in 1949 and was amended afterwards, providing further obligations upon the Parties and requiring their formal acceptance. The amended text of the Agreement entered in force in 2004.</p> <p><b>Seat:</b> Rome (Italy).</p>	<p>RP funding: US\$ 125,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 2,335,711 for the year 2012</p> <p><b>TF funding:</b> US\$ 6.5 million for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary is appointed by the DG with the approval of the Commission or, in the event of appointment between regular sessions of the Commission, with the approval of the members of the Commission.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● P staff: 7 TF</li> <li>● GS staff: 5 TF</li> <li>● NSHR: 44 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to ADG/FL on administrative matters.</li> </ul>	<p>The Commission shall transmit to the DG:</p> <ul style="list-style-type: none"> <li>● a report embodying its views, recommendations and decisions, after each session;</li> <li>● such other reports as it may deem necessary or desirable.</li> </ul> <p>Resolutions and recommendations having policy, programme or financial implications shall be brought by the DG to the attention of the conference through the Council for action.</p>

<sup>28</sup> Assessed contributions towards autonomous budgets are paid into a Trust Fund. Assessed Contributions may or may not be released in full and, as a consequence, this may account for some discrepancies in the figures. In addition, a particular body may benefit from other Trust Fund resources.

<sup>29</sup> Figures regarding positions financed by Trust Funds may be indicative.

Article XIV Body (date of establishment)	Funding <sup>30</sup>	Status of Secretariat <sup>31</sup>	Reporting to FAO Governance
<p><b>Indian Ocean Tuna Commission (IOTC)</b></p> <p>The establishing agreement was signed in 1993 and entered in force in 1996.</p> <p><b>Seat:</b> Victoria (Seychelles).</p>	<p><b>RP funding:</b> no regular programme funding</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 2,344,777 for the year 2012</p> <p><b>TF funding:</b> US\$ 5,046,000 for biennium 2012-2013 (US\$ 6,683,000 [for biennium 2014-2015])</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the Secretary is appointed by the DG with the approval of the Commission or, in the event of appointment between regular sessions of the Commission, with the approval of the members of the Commission. The staff of the Commission is appointed by the Secretary and is under its direct supervision.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff and higher category:</b> 7 TF</li> <li>● <b>GS staff:</b> 5 TF</li> <li>● <b>NSHR:</b> 1 TF</li> </ul> <p><b>Reporting:</b> the Secretary reports</p> <ul style="list-style-type: none"> <li>● to the Commission on technical matters;</li> <li>● to the DG, through the ADG/FI on administrative matters.</li> </ul>	<p>The Commission shall transmit to the DG reports:</p> <ul style="list-style-type: none"> <li>● on its activities, programme, accounts and autonomous budget;</li> <li>● on other matters as may be appropriate for action by the Council or the Conference.</li> </ul>
<p><b>Regional Commission for Fisheries (RECOFI)</b></p> <p>The establishment agreement was signed in 1999, but entered in force in 2001.</p> <p><b>Seat:</b> Cairo (Egypt).</p>	<p><b>RP funding:</b> US\$ 245,000 for biennium 2012-2013</p> <p><b>Assessed contributions towards autonomous budget:</b> US\$ 80,000 per biennium (US\$ 5,000 per member per year)</p> <p><b>TF funding:</b> US\$ 75,000 for biennium 2012-2013</p>	<p><b>Appointment procedure of Secretary &amp; staff of Secretariat:</b> the DG appoints the Secretary and its staff.</p> <p><b>Staffing:</b></p> <ul style="list-style-type: none"> <li>● <b>P staff:</b> 0.3 RP</li> <li>● <b>GS staff:</b> 0.3 RP</li> <li>● <b>NSHR:</b> US\$ 3,000 RP + US\$ 46,000 TF<sup>32</sup></li> </ul> <p><b>Reporting:</b> the Secretary reports to the Commission.</p>	<p>The Commission shall transmit to the DG:</p> <ul style="list-style-type: none"> <li>● reports embodying its views, recommendations and decisions,</li> <li>● other reports as it may deem necessary or desirable.</li> </ul>

<sup>30</sup> Assessed contributions towards autonomous budgets are paid into a Trust Fund. Assessed Contributions may or may not be released in full and, as a consequence, this may account for some discrepancies in the figures. In addition, a particular body may benefit from other Trust Fund resources.

<sup>31</sup> Figures regarding positions financed by Trust Funds may be indicative.

<sup>32</sup> Besides salary costs, NSHR may include additional costs (e.g. travel costs).

## **Appendix II**

### **Extract of Report of the 95th Session of the Committee on Constitutional and Legal Matters (Rome, 8 - 11 October 2012)**

#### **VI. Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO**

15. The CCLM examined document CCLM 95/12 “*Review of Article XIV statutory bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO*”. The CCLM acknowledged that the matter was complex, insofar as bodies established by treaty under Article XIV of the Constitution were different depending on their constituent instruments. The CCLM noted that document CCLM 95/12 had been prepared in response to IPA Action 2.69 and was based on an earlier document reviewed by the CCLM in 2009 and by the Council in October 2009. The CCLM regretted that proposals made at the time were not implemented.

16. The CCLM agreed that it was essential to identify bodies established under Article XIV of the Constitution which would benefit from the facilities foreseen in the document. Eventually, the CCLM noted the views of the secretariat that it could be counterproductive to establish an exhaustive list of these bodies and that these should be identified on the basis of criteria such as their funding mechanisms, their functional needs and legal authority as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question. Examples of these bodies are the Indian Ocean Tuna Commission, the General Fisheries Commission for the Mediterranean and the International Treaty on Plant Genetic Resources for Food and Agriculture.

17. As a general guiding principle, the CCLM held the view that increased delegation of authority to bodies under Article XIV of the Constitution could be considered provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization be in place. The CCLM recommended that a review be undertaken by the secretariat to examine and determine, in consultation with the secretariat of bodies, whether the above conditions (adequacy of staffing and appropriate oversight mechanisms) are in place.

18. As regards external relations of bodies under Article XIV of the Constitution, the CCLM was of the view that secretaries of bodies referred to in paragraph 16 should travel on business in accordance with the statutory body work programme and allocated budget.

19. As regards conclusion of arrangements with other organizations, the CCLM noted that a procedure approved by the FAO Council in 2004 had been operating satisfactorily and seemed to respond to the needs of bodies under Article XIV of the Constitution, while allowing for coherence between the activities of those bodies and those of FAO.

20. On budgetary, financial and audit issues, the CCLM considered that these matters should be examined by the Finance Committee. The CCLM noted that the Finance Committee should comment on the issue of project servicing costs. As regards requests for “third party audits”, the CCLM noted that these were not possible under the Basic Texts of the Organization. However, it was possible for the Finance Committee to request the External Auditor of FAO to perform certain specific examinations under Financial Regulation 12.6, provided that costs be covered by the body in question.

21. As regards human resources matters, the CCLM noted that these were mainly within the purview of the Finance Committee and could be addressed through Management action. The CCLM underlined that it was essential to make adjustments to Performance Evaluation Management System (PEMS), insofar as some secretaries were directly under the operational authority of Article XIV bodies and not of FAO. Hence, performance assessments of secretaries of such bodies should on technical and operational matters be done by the membership of their governing bodies.

22. As regards channels of communication with Governments and official correspondence, the CCLM noted an earlier proposal that the Correspondence Manual be adjusted to reflect the particular

situation of bodies under Article XIV of the Constitution, but this had not been done. The CCLM requested that this proposal be implemented.

23. As regards relations with donors, the CCLM noted the proposal that facilities regarding resource mobilization be given to secretaries of bodies under Article XIV of the Constitution, subject to a need for overall coherence in resource mobilization activities of FAO. The CCLM also stressed that in some cases the secretariats were under a legal obligation to implement funding strategies flowing directly from the constituent instruments or from decisions of the bodies and, therefore, had to maintain direct relations with donors.

24. As regards the organization of meetings, including the conclusion of Memoranda of Responsibilities regarding such meetings, insofar as these involved issues related to the universal status of FAO and privileges and immunities they should continue to be concluded by or on behalf the Director-General.

25. As regards the servicing of meetings, including possible outsourcing of some activities such as translation, the CCLM noted that the matter was mainly within the purview of the Finance or Programme Committee and that there was, in any case, a need for quality control by FAO. The CCLM did not agree with the recommendation that, in order to reduce costs, some meetings be held in a limited number of languages.

26. As regards the issue of participation by non-governmental organizations (NGOs) and other stakeholders in meetings of FAO, including meetings of statutory bodies, the CCLM recommended that the current flexible, pragmatic practice continue. The CCLM agreed that, for the time being, no general rules on NGO participation applicable to all meetings of the Organization should be established in view of the differentiated nature of NGOs and stakeholders, the currently evolving situation, the different needs and status of the meetings of the Organization, as well as potential lack of consensus on the matter among the membership. In this particular regard, the CCLM observed that it would be difficult to extend to other bodies of the Organization the regime currently applied to the Committee on World Food Security.

27. As regards the issue of the reporting relationship with the main bodies of FAO, the CCLM considered that in view of the specific legal status of each body under Article XIV of the Constitution, the scope and purpose of reporting should be primarily defined by each body taking into account as appropriate the views of the Organization. The CCLM considered that in some cases, reporting to the Conference is justified.

28. The CCLM noted that the review set out in document CCLM 95/12 would be referred to the forthcoming sessions of the Programme and Finance Committee and requested that its deliberations be made available to these Committees.

## ATTACHMENT 5

MEMORANDUM OF UNDERSTANDING BETWEEN  
THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)  
AND THE WORLD METEOROLOGICAL ORGANISATION (WMO)  
ON THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

### Background

1. By authority of Resolution 9, Global Climate Change, of the Tenth World Meteorological Congress together with its request to the Executive Council and of Resolution C.C 14/20 of the Fourteenth Session of the UNEP Governing Council, the Executive Director of UNEP and the Secretary-General of WMO have established the Intergovernmental Panel on Climate Change (IPCC). The objectives of IPCC are:

- (i) to make assessments of available scientific information on climate change;
- (ii) to make assessments of environmental and socio-economic impacts of climate change;
- (iii) to formulate response strategies to meet the challenge of climate change.

2. With a view to accomplishing these objectives, IPCC during its inaugural session in November 1988, established three Working Groups each assigned to address a specific objective. IPCC also established a Bureau to co-ordinate the activities of the Working Groups when it is not in session.

3. IPCC agreed to the establishment of a trust fund to which members will contribute to meet, wholly or in part, the costs associated with IPCC activities. The trust fund will be administered by the Secretary-General of WMO in accordance with WMO Financial Regulations. The balance of the trust fund at the end of a two year period will be carried over for the purpose of funding future IPCC activities.

### Provisions

4. Accordingly, the United Nations Environment Programme and the World Meteorological Organization, by this Memorandum of Understanding (MOU), agree to support financially the activities of the Panel within the ceilings they shall mutually agree. This will include:

- (i) establishment of a joint IPCC Secretariat located at WMO, Geneva
- (ii) support to the sessions of the Panel
- (iii) support to the sessions of IPCC Bureau
- (iv) support to the Working Groups of IPCC
- (v) publication of reports of the Panel and its bodies
- (vi) providing public information on the work of IPCC.

Other items for support may be included by mutual consent of the two organizations.

5. Details such as financial commitments, schedules of work, advance payments, etc. will be contained in a separate Memorandum of Agreement between the two organizations which is attached to this Memorandum of Understanding.

Period of Agreement

6. This MOU shall be in force for as long as the activities of IPCC continue.

7. The MOU may be amended by mutual consent of the two organizations.

ONEP and WMO hereby agree to this MOU, as indicated by the signatures of their duly authorized officials. This MOU becomes effective as of the date of execution.

Signed on behalf of the  
World Meteorological Organization

Signed on behalf of the  
United Nations Environment Programme

J.P. Brue  
Acting Deputy Secretary-General

roilqh  
Ag. Assistant Executive Director  
Office of the Environment Fund  
and Administration

Date:

Date:

MEMORANDUM OF AGREEMENT  
FP/4102-89-01-2001

This Memorandum of Agreement (MOA) is concluded between the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) of 41, Avenue Giuseppe-Motta, Case Postale No. 5, CH-1211 Geneva 20, Switzerland.

Whereas UNEP and WMO signed a Memorandum of Understanding on the 10th of April 1989 in which they agree to support financially the Secretariat of the Intergovernmental Panel on Climate Change (IPCC),

1. Under this agreement, UNEP will provide a contribution to support the activities of the Secretariat and the Panel in its first two years. It is agreed that the contribution shall be paid as two equal annual lump sums into a trust fund established and administered by WMO for the purpose of financing the Panel and its activities. It being understood that no administrative support charges shall be imposed by WMO on any expenditure incurred by the trust fund.
2. Activities, outputs and budget for the trust fund as a whole are outlined in the Annex to this MOA.
3. UNEP will make a convertible cash contribution to the IPCC over the two-year period equal to SFR. 250,000 and SFR. 100,000 equivalent in non-convertible roubles distributed equally over the two years.
4. WMO will provide SFR. 125,000 each year, office accommodation for the Secretariat and administrative support towards the cost of the IPCC.
5. WMO shall be permitted to charge the convertible currency cost incurred under this MOA under the global advance for UNEP activities undertaken by WMO. UNEP will arrange through UNEPCOM and the Centre for International Projects for all activities undertaken in USSR to be financed out of its rouble contribution.
6. WMO will account for all expenditures incurred by the trust fund annually together with yearly statements of expenditure for all other UNEP projects.
7. It shall be understood that expenses shall be charged in the first instance to voluntary contributions of governments and only when sufficient funds are not available will the contributions of UNEP and WMO be utilized in equal proportions.

Annex to Memorandum of Agreement

8. This Memorandum may be amended or extended by agreement of both organizations.

Signed on behalf of the  
World Meteorological Organization

Signed on behalf of the  
United Nations Environment Programme

J.P. Bruce  
Acting Deputy Secretary-General

**Li:Bre**  
Ag. Assistant Executive Director  
Office of the Environment Fund  
and Administration

Date:

Date:

An.nex to Memorandum of Agreement

Outputs

The Secretariat of the IPCC will co-ordinate the production of the following outputs:

- (i) A report giving a comprehensive assessment of all available scientific information on climate change.
- (ii) A report describing the impacts resulting from climate change on the environment and on a wide range of human activities and socio-economic systems.
- (iii) A report detailing possible policy options and strategies for responding to climate change and the state-of-the-art in the formulation of such strategies and policy options.
- (iv) Other reports as needed, to the governing bodies of UNEP and WMO and inputs to the Second World Climate Conference.

Activities

The Secretariat of the IPCC will:

- (ii) Organize sessions of IPCC.
- (ii) Organize sessions of the Bureau.
- (iii) Organize sessions of the Working Groups in co-operation with the Chairmen of Working Groups.
- (iv) Arrange for the translation, publication and distribution of the reports of sessions.
- (v) Maintain correspondence with the Chairman of IPCC and the Chairmen of Working Groups.
- (vi) Assist IPCC in providing appropriate inputs on global climate change to the Second World Climate Conference.
- (vii) Provide appropriate reports to Governments. Reports of formal meetings will be issued in English, French, Spanish and Russian. Appropriate number of copies will be provided, to be determined in consultation with UNEP and WMO.
- (viii) Generally, and to ensure proper co-ordination of IPCC activities, the IPCC Secretariat will attend, inter alia, to the following:

An.nex to Memorandum of Agreement

- a. Liaising with experts and the host Governments for the Working Group sessions, in preparing the technical papers;
- b. Ensuring the dissemination of the technical papers to Governments, United Nations agencies and relevant technical institution for comment, drawing their attention to any specific issues;
- c. Revision of the technical papers in the light of comments and other contributions;
- d. Preparing, finalizing and disseminating to Governments, UN agencies and scientific institutions reports of Working Groups, Bureau and full IPCC sessions as appropriate;
- e. Synthesizing the three main technical papers, which are to be the output of IPCC deliberations, for submission to the Governing Council of UNEP, Governing *Body* of WMO, and later, the UN General Assembly;
- f. Keeping the United Nations agencies, in general and the WMO<sup>1</sup> and UNEP Secretariat in particular and Governments fully informed of the progress of the IPCC work throughout the process.

Reporting

All publications should be indicated as originating from the IPCC. Copyright should be vested in UNEP and WMO jointly. Logos of both organizations should appear on the cover.

IPCC BUDGET ESTIMATES FOR 1989 AND 1990

1. It may be noted that the budget estimates are expressed in Swiss Francs.

2. The support for IPCC activities including those of its Secretariat is expected to come from three sources, viz., the World Meteorological Organization, the United Nations Environment Programme and contributions from IPCC Members to the Joint WMO/UNEP Trust Fund.

3. 1989 budget estimate was approved by the IPCC Bureau and is given below.

	PLANNED 1989 (approved by IPCC Bureau)	Priority consistent with funds available as of the date of the execution of the MOA
10. PROJECT PERSONNEL COMPONENT		
1100 Project personnel		
1101 Administrative assistant	108,000	108,000
1102 Typist (half-time)	36,000	
<b>1199 Total</b>	<b>144,000</b>	<b>108,000</b>
1600 Official travel		
1601 Consult IPCC C/M and C/Men of WGs	10,000	10,000
<b>1699 Total</b>	<b>10,000</b>	<b>10,000</b>
<b>1999 Component total</b>	<b>154,000</b>	<b>118,000</b>
30. MEETINGS COMPONENT		
3101 Second session IPCC	89,180	89,180
3201 First session/IPCC Bureau	32,200	32,200
3202 Second session/IPCC Bureau	32,200	0
3301 First session/IPCC WG I	28,460	28,460
3302 second session/IPCC WG I	31,060	a
3401 First session/IPCC WG II	19,570	19,570
3402 Second session/IPCC WG II	33,380	0
3501 First session/IPCC WG III	32,250	32,250
3502 Second session/IPCC WG III	34,850	0
<b>3999 Component total</b>	<b>333,150</b>	<b>201,660</b>

.. 50. SUNDRY		
5301 Communication, telex, phone etc.	60,000	52,340
5399 Component total	60,000	52,340
99 GRAND TOTAL	547,150	372,000

4. The person-year costs of the Secretary of IPCC and of the UNEP Programme Officer are borne by WMO and UNEP respectively. WMO houses the IPCC Secretariat and meets the associated servicing costs.

s. The 1990 budget needs are estimated at the same level as for 1989.

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## Report of the Eleventh Session of the Standing Committee on Administration and Finance

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Colombo, Sri Lanka 29 and 31 May 2014

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**DISTRIBUTION:**

Participants in the Session  
Members of the Commission  
Other interested Nations and International Organizations  
FAO Fisheries Department  
FAO Regional Fishery Officers

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**BIBLIOGRAPHIC ENTRY**

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**ACRONYMS**

CMM	Conservation and Management Measure (of the IOTC; Resolutions and Recommendations)
CoC	Compliance Committee, of the IOTC
CPCs	Contracting Parties and Cooperating non-Contracting Parties
DSA	Daily Subsistence Allowance
FAO	Food and Agriculture Organization of the United Nations
IOTC	Indian Ocean Tuna Commission
MPF	Meeting Participation Fund
SC	Scientific Committee of the IOTC
SCAF	Standing Committee on Administration and Finance, of the IOTC

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**TABLE OF CONTENTS**

<b>REPORT OF THE ELEVENTH SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE .....</b>	<b>1</b>
<b>TABLE OF CONTENTS.....</b>	<b>4</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>1. OPENING OF THE SESSION.....</b>	<b>6</b>
<b>2. ADOPTION OF THE AGENDA AND ARRANGEMENTS FOR THE SESSION .....</b>	<b>6</b>
<b>3. ADMISSION OF OBSERVERS.....</b>	<b>6</b>
<b>4. FINANCIAL STATEMENT.....</b>	<b>6</b>
4.1 Contributions.....	7
4.2 Expenditures .....	7
4.3 Balance of funds.....	7
4.4 IOTC Meeting Participation Fund (MPF).....	7
<b>5. PROGRESS REPORT OF THE SECRETARIAT FOR 2013 .....</b>	<b>8</b>
5.1 Support to scientific activities.....	8
5.2 Support to compliance activities .....	8
5.3 Communications and public information.....	8
5.4 Meeting participation fund (MPF) .....	8
<b>6. PROGRAMME OF WORK AND BUDGET ESTIMATES FOR 2014, 2015 AND 2016.....</b>	<b>9</b>
6.1 Budget estimates .....	9
6.4 Operating expenses – Support to Capacity Building .....	9
6.5 The need to plan a biennial budget .....	10
6.6 Project support costs and in-kind contributions by FAO to IOTC.....	10
<b>7. PERFORMANCE REVIEW UPDATE (RESOLUTION 09/01 ON THE PERFORMANCE REVIEW FOLLOW-UP).....</b>	<b>10</b>
<b>8. OTHER BUSINESS .....</b>	<b>11</b>
8.1 Options for replenishing the IOTC Meeting participation fund.....	11
8.2 Strategic priorities for the Secretariat .....	11
8.3 Membership of Sierra Leone and Guinea in the IOTC .....	11
8.4 Contributions outstanding .....	11
8.5 Election of a Chairperson and Vice-Chairperson for the next biennium .....	12
<b>9. DATE AND PLACE OF THE 12<sup>TH</sup> SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE</b>	<b>12</b>
<b>10. REVIEW OF THE DRAFT AND ADOPTION OF THE REPORT OF THE ELEVENTH SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE .....</b>	<b>12</b>
<b>APPENDIX I LIST OF PARTICIPANTS .....</b>	<b>14</b>
<b>APPENDIX II AGENDA OF THE ELEVENTH SESSION STANDING COMMITTEE ON ADMINISTRATION AND FINANCE</b>	<b>17</b>
<b>APPENDIX III LIST OF DOCUMENTS.....</b>	<b>18</b>
<b>APPENDIX IV PROPOSED BUDGET FOR 2014/15 AND INDICATIVE BUDGET FOR 2016 (IN USD) .....</b>	<b>19</b>
<b>APPENDIX V INDICATIVE SCALE OF CONTRIBUTIONS FOR 2014 (IN USD).....</b>	<b>20</b>
<b>APPENDIX V (CONT) INDICATIVE SCALE OF CONTRIBUTIONS FOR 2015 (IN USD).....</b>	<b>21</b>
<b>APPENDIX VI SCAF: UPDATE ON PROGRESS REGARDING RESOLUTION 09/01 – ON THE PERFORMANCE REVIEW FOLLOW-UP .....</b>	<b>22</b>
<b>APPENDIX VII CONSOLIDATED SET OF RECOMMENDATIONS OF THE 11<sup>TH</sup> SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE (29–31 MAY, 2014) TO THE COMMISSION.....</b>	<b>25</b>

## EXECUTIVE SUMMARY

The 11<sup>th</sup> Session of the Standing Committee on Administration and Finance (SCAF11) of the Indian Ocean Tuna Commission (IOTC) was held in Colombo, Sri Lanka 29 and 31 May, 2014. The meeting was opened by the Vice-Chair, Mr. Benjamin Tabios (Philippines) in the absence of the Chair, Mr. Godfrey Monor (Kenya).

The following are a subset of the complete recommendations from the SCAF11 to the Commission, which are provided within [Appendix VII](#).

### **Programme of Work and Budget Estimates for 2014, 2015 and 2016**

([para. 34](#)) The SCAF **RECOMMENDED** that the ICRU related charges, applied by the FAO, be eliminated from the IOTC current and future expenditure accounts, and that the Chair of the Commission communicate this decision to FAO.

([para. 46](#)) The SCAF **RECOMMENDED** that the Commission endorse the IOTC Secretariat's programme of work for the financial period 01 January, 2014 to 31 December 2015, as outlined in paper IOTC-2014-SCAF11-05.

([para. 47](#)) The SCAF **RECOMMENDED** that the Commission adopt the budget for, and the scheme of contributions for 2014 and 2015 as outlined in Appendix IV and Appendix V respectively, with the understanding that areas of potential savings continue to be explored.

([para. 49](#)) The SCAF **RECOMMENDED** that an analysis of the cost and the benefits of IOTC's existence within and outside of FAO's structure be undertaken to ascertain the viability of IOTC breaking from the UN administrative structure and mandate.

### **Options for replenishing the IOTC Meeting participation fund Recommendation/s**

([para. 57](#)) The SCAF **RECOMMENDED** that the rules of procedure for the administration of the IOTC MPF be modified to exclude funding for Cooperating Non-Contracting Parties, as they currently do not contribute to the IOTC budget.

([para. 58](#)) The SCAF **RECOMMENDED** that the MPF is budgeted every year and priorities could be set on the use of available funds.

### **Membership of Sierra Leone and Guinea in the IOTC**

([para. 62](#)) The SCAF **RECOMMENDED** that the Commission consider paper IOTC-2014-SCAF11-10 (Membership of Sierra Leone and Guinea in the IOTC) as the SCAF was unable to agree on a course of action.

### **Contributions outstanding**

([para. 72](#)) The SCAF **RECOMMENDED** that CPCs that did not reply to the communications sent by the Chair of the Commission, regarding the payment of outstanding contributions shall not benefit from any IOTC related activities in regard to MPF, workshops, training and related support. CPCs in arrears for more than five years and have no interim payment should not benefit from any IOTC related activities, with the exception of I.R. Iran on the basis of the difficulties highlighted in [para 69](#).

([para. 73](#)) The SCAF **RECOMMENDED** that all Members with overdue IOTC contributions finalise payment of those contributions as soon as possible so as not to hinder the operation of the IOTC. To facilitate this process, the Chair of the Commission, with the assistance of the Secretariat and the FAO Legal Department, shall conduct bilateral discussion with each of the CPCs with contributions in arrears totaling more than the previous two years, with a view to recover the outstanding contributions and further assess their interest of continued involvement in the IOTC. Responses from those CPCs should be circulated by the Secretariat to all CPCs for consideration at the 12<sup>th</sup> Session of the SCAF.

### **Review of the Draft and Adoption of the Report of the 11th Session of the Standing Committee on Administration and Finance**

([para.78](#)) The SCAF **RECOMMENDED** that the Commission consider the consolidated set of recommendations arising from SCAF11, provided at [Appendix VII](#).

## 1. OPENING OF THE SESSION

1. The 11<sup>th</sup> Session of the Standing Committee on Administration and Finance (SCAF11) of the Indian Ocean Tuna Commission (IOTC) was held in Colombo, Sri Lanka 29 and 31 May, 2014. A total of 79 individuals attended the Session, comprised of 64 delegates from 25 Member countries, 1 delegate from 1 Cooperating Non-Contracting Party, and 14 observers, including 7 invited experts. The list of participants is provided at [Appendix I](#). The meeting was opened by the Vice-Chair, Mr. Benjamin Tabios (Philippines) in the absence of the Chair, Mr. Godfrey Monor (Kenya).

## 2. ADOPTION OF THE AGENDA AND ARRANGEMENTS FOR THE SESSION

2. The SCAF **ADOPTED** the Agenda as provided at [Appendix II](#). The documents presented to the SCAF are listed in [Appendix III](#).

## 3. ADMISSION OF OBSERVERS

3. The SCAF **NOTED** that at the 17<sup>th</sup> Session of the Commission, Members decided that its subsidiary bodies should be open to participation by observers from all those who have attended the current and/or previous sessions of the Commission. Applications by new Observers should continue to follow the procedure as outlined in Rule XIII of the IOTC Rules of Procedure.
4. Pursuant to Article VII of the Agreement establishing the IOTC, the SCAF admitted the following observers, as defined in Rule XIII of the IOTC Rules of Procedure:
  - Rule XIII.1. *The Director-General or a representative designated by him, shall have the right to participate without vote in all meetings of the Commission, of the Scientific Committee and of any other subsidiary body of the Commission.*
  - Rule XIII.2. *Members and Associate Members of the Organization that are not Members of the Commission are, upon their request, invited to be represented by an observer at sessions of the Commission.*
    - i. Djibouti
    - ii. Russian Federation
  - Rule XIII.4. *The Commission may, on their request, invite intergovernmental organizations having special competence in the field of activity of the Commission, to attend such of its meetings as the Commission may specify.*
    - i. Indian Ocean Commission (IOC)
  - Rule XIII.5. *The Commission may invite, upon request, non-governmental organizations having special competence in the field of activity of the Commission to attend such of its meetings as the Commission may specify. The list of the NGOs wishing to be invited will be submitted beforehand by the Secretary to the Members of the Commission. If one of the Members of the Commission objects giving in writing its reasons within 30 days, the matter will then be subject to decision of the Commission out of session by written procedure.*
    - i. International Seafood Sustainability Foundation (ISSF)
    - ii. Organisation for the Promotion of Responsible Tuna Fisheries (OPRT)

**Invited experts**

  - Rule XIII.9. *The Commission may invite consultants or experts, in their individual capacity, to attend the meetings or participate in the work of the Commission as well as the Scientific Committee and the other subsidiary bodies of the Commission.*
    - i. Taiwan, Province of China

## 4. FINANCIAL STATEMENT

5. The SCAF **NOTED** paper IOTC–2014–SCAF11–03 which provided the Financial Statement and supporting documentation for the financial period 01 January 2013 to 31 December 2013, as well as an outline of the cash flow problems being encountered by the Secretariat as a result of the annual IOTC budget being approved within that financial year.
6. The SCAF **NOTED** the increase in costs related to the staff post adjustment and the employer contributions to FAO's entitlement fund and that the post adjustment is governed by the United Nations International Civil Service Commission.
7. The SCAF **NOTED** that the over-expenditure under the Meeting Participation Fund in 2013 (US\$42,609) is accounted for within the accumulated funds, which is also over-expended in 2013 (US\$11,653).

8. The SCAF **CONFIRMED** that Kenya has made contribution payments to the Secretariat pursuant to the issuance of the Financial Statement 2013 (IOTC-2014-SCAF11-03) and the amount of arrears reflected against Kenya in IOTC-2014-SCAF11-03 is higher than Kenya's current outstanding contributions to the IOTC.
9. The SCAF **NOTED** that the printing costs in 2013, under operating expenditures, were over budget due to substantial printing requirements at the previous sessions of the Compliance Committee, Standing Committee on Administration and Finance and Commission meeting.
10. The SCAF **RECOGNIZED** that Mauritius kindly hosted the meetings in 2013, without host country provisions, and was not expected to bear many of the operating expenditures of the meetings, inclusive of printing.

***Recommendation/s***

11. The SCAF **RECOMMENDED** that the Secretariat request FAO Finance to report remittance advices from IOTC Membership to the Secretariat in real time, without delay and for Membership to label all remittances with an 'IOTC' reference and send a copy to the Secretariat in order to prevent delays in the transfer of funds to the IOTC's account.

***4.1 Contributions***

12. The SCAF **NOTED** that the cumulative total of outstanding contribution payments has increased from US\$1,069,802 as of December 31<sup>st</sup> 2012, to US\$1,425,893 as of December 31<sup>st</sup> 2013, an increase of US\$356,091 (33.3%) with 11 Members having payments in arrears (excluding minor outstanding payments resulting from bank charges and differences in currency exchange rates).
13. The SCAF **NOTED** the following extra budgetary contributions made by CPCs to the IOTC in 2013: Australia to conduct a study to estimate fishing capacity (conducted/completed in 2009) and a workshop on Management Options; activities related to tagging funded by Japan, to conduct tagging experiments in the central and eastern Indian Ocean; a EU (DG Maritime Affairs and Fisheries) grant agreement on capacity building and technical assistance to developing countries; a EU (DG Maritime Affairs and Fisheries) grant agreement on the Working Party for Tropical Tuna (WPTT) and; MPF activities funded by Australia and China.
14. The SCAF **NOTED** the following extra budgetary contributions made by other organisations/projects to the IOTC in 2013: BOBLME; EU-COI-SmartFish; Birdlife International; ISSF; OFCF; SWIOFP; EU-ACP FISH II and; WWF

***4.2 Expenditures***

15. The SCAF **NOTED** that at the level of the total budget, there was an over-expenditure of US\$165,485 (7% variance) relative to the expenditures budgeted for 2013, due mainly to the higher than expected staff related costs for the employer contribution to the FAO entitlement fund and the increased post adjustment.

***4.3 Balance of funds***

16. The SCAF **NOTED** that the balance of IOTC funds as of 31 December 2013, is US\$-11,653. The balance of funds had previously been used to support the functioning of the Secretariat since 1 January 2014, as no contributions are called for and, therefore, submitted before the budget of the Commission is approved at its 18<sup>th</sup> Session. This is an impediment to use accumulated funds for other purposes as it is necessary to ensure adequate cash flow during the first half of the year.
17. The SCAF **NOTED** that the Secretariat's staff costs are currently fully committed in 2014, as per FAO financial regulations, resulting in a more substantial deficit until contributions are received. There is a substantial risk that FAO discontinues expenditure against the project until contributions match commitments.

***4.4 IOTC Meeting Participation Fund (MPF)***

18. The SCAF **NOTED** in 2013, a total of 100 participants (56 to science technical meetings and 44 to non-scientific meetings) from 18 CPCs (i.e. airfare and/or accommodation) under the MPF for a total of US\$315,952. This is an increase from 75 participants in 2012 from 16 CPC (US\$179,755 in 2012). All trips were organized by the IOTC Secretariat and FAO daily subsistence allowances (DSA) were applied. Participants to Working Parties funded under the MPF contributed 36 working documents to the scientific meetings.
19. The SCAF **NOTED** that at the end of 2013, the MPF had a US\$42,609 deficit, and it will need to be replenished to cover for the expenditures for participants to the 2014 meetings, including the current Sessions in Sri Lanka, and to the Commission's subsidiary bodies.

## 5. PROGRESS REPORT OF THE SECRETARIAT FOR 2013

20. The SCAF **NOTED** paper IOTC-2014-SCAF11-04 which outlined the progress report of the IOTC Secretariat for 2013, and thanked the Secretariat for the quality of the work undertaken during 2013. In particular, the SCAF expressed its thanks for the capacity building support received in various areas by developing coastal states, from compliance to the strengthening of data collection and reporting and understanding the science process supporting the Commission, and requested that such support be continued into the future.

### 5.1 Support to scientific activities

21. The SCAF **NOTED** that the work carried out by the IOTC Secretariat in support of the IOTC science process included assistance to CPCs to improve the level of participation and engagement of national scientists at the various Working Parties, improve the quality of the data being provided to the IOTC Secretariat, and the quality and rigor of stock assessments for IOTC species. In 2013, five Working Party meetings were organised and facilitated by the IOTC Secretariat in addition to the annual meeting of the Scientific Committee.
22. The SCAF **NOTED** the participation of four invited experts selected to attend the Working Party meetings in 2013. The continued involvement of invited experts at IOTC Working Party meetings was seen as an important component to scientific capacity building activities by the Commission and was supported by the SCAF.

### 5.2 Support to compliance activities

23. The SCAF **NOTED** that the requirement for support by the Compliance Committee (CoC) continues to increase since the strengthening of the CoC's mandate. This required the submission of compliance questionnaires, according to the requirements of the Commission, to all CPCs, and the processing of the responses, and the information available from national reports, into Country Reports to be presented at the 11<sup>th</sup> Session of the Compliance Committee.
24. The SCAF **NOTED** that the IOTC Secretariat also continued with the coordination of the implementations of the Regional Observer Programme to monitor transshipment at sea for large-scale tuna longline vessels. With greater focus being placed on using the data from this Programme to identify possible infractions, the IOTC Secretariat now have to identify and point out possible infractions to the fleets participating in the Programme. The IOTC Secretariat has also this year, through the FAO, extended the contract for executing the work foreseen in the Programme. More details on this activity (fully supported by the contributions of the participants in the programme) are reported directly to the Compliance Committee. A review meeting with representatives of the Consortium and the fleets participating in the Programme took place in the margins of the 11<sup>th</sup> Session of the Compliance Committee, on 27 May 2014, to discuss matters pertaining to implementation of the Programme.

### 5.3 Communications and public information

25. The SCAF **NOTED** that the Secretariat continued with the publications of all reports of the Commission and its subsidiary bodies (Working Parties and Committees) in electronic format only, in accordance with the Commission's directive in 2013 to move all IOTC meetings paperless.
26. The SCAF **NOTED** that in 2013, the Secretariat produced 60 papers/reports (up from 49 in 2012) in support of the IOTC Science process, not including the reports of the various working parties (5) or the Executive Summaries (25). In addition, a further 44 papers/reports were developed in support of the other IOTC bodies (Commission, Compliance Committee, Standing Committee on Administration and Finance).
27. The SCAF **NOTED** that the Secretariat also provided ongoing assistance to coastal States to improve their ability to comply with IOTC CMMs and executed the Regional Observer Programme to monitor transshipment at sea for the large-scale tuna longline fleets in the Indian Ocean.
28. The SCAF **NOTED** that the IOTC website continues to be a portal for communicating the work of the Commission to a variety of audiences. The IOTC Secretariat has completed the development of a new website, as requested by the Commission, and will continue to refine the site as necessary including adding new functionalities (i.e. ePSM; data query).

### 5.4 Meeting participation fund (MPF)

29. The SCAF **NOTED** that the intention of the MPF was to utilise the funds, as a first priority, to support the participation of scientists from developing CPCs in scientific meetings of the IOTC, including Working Parties. In 2013, the Secretariat facilitated the participation of 58 (46 in 2012 and 33 in 2011) individuals from 16 developing CPCs of IOTC to the five Working Party meetings held. There was a continued increase in attendance by national scientists from developing CPCs to IOTC Working Parties and the SC in 2013 (58 in 2013; 42 in 2012; 33 in 2011; 19 in 2010), which was largely due to the IOTC MPF. In 2013, 2012 and 2011 all MPF recipients developed and presented at least one working paper or National Report, relevant to the meeting in which the Commission funded their attendance. The papers presented to IOTC meetings by MPF recipients have

continued to improve in quality as a direct result of improved attendance and participation by scientists from developing coastal states.

30. The SCAF **NOTED** that as a secondary priority, Resolution 10/05 *on the establishment of a meeting participation fund for developing state members*, indicates that the MPF should be used to fund the participation of one representative per developing CPC to a non-scientific meeting of the Commission, including regular Sessions, if the CPC intends to present reports relevant to the meeting in question, and provided that the CPC is not eligible for support under the fund established under part VII of the UNFSA. In 2013 the Secretariat facilitated the participation of over 30 individuals from 15 developing CPCs of IOTC to the non-scientific meetings.

## 6. PROGRAMME OF WORK AND BUDGET ESTIMATES FOR 2014, 2015 AND 2016

### 6.1 Budget estimates

31. The SCAF **NOTED** paper IOTC–2014–SCAF11–05 which outlined the Budget Estimates for the IOTC Secretariat's programme of work for the financial period 01 January, 2014 to 31 December 2015, together with indicative figures for the 2016 financial period.
32. The SCAF **NOTED** that the overall budget amount proposed for the Administrative Budget for **2014** and **2015** is **US\$3,066,995** and **US\$3,274,579** respectively and is based on recommendations of the 2013 sessions of the Scientific Committee (SC16) and Compliance Committee (CoC10), as well as previous Commission decisions concerning the operations of the Secretariat. The actual expenditure amount for 2013 was US\$2,709,491, and the 2014 budget now proposed represents a nominal 13% gross increase over the corresponding 2013 actual expenditures, and a 6% increase in 2015, relative to the budget for 2014. The indicative budget for 2016 is US\$3,553,308 corresponding to a 9% increase over the 2015 budget.

### 6.2 Improved Cost Recovery Uplift (ICRU)

33. The SCAF **NOTED** that the Improved Cost Recovery Uplift (ICRU) does not seem to be justifiable to the specific framework of the IOTC. Moreover, security-related charges were excessive, considering the relative safety and security within the host country and the security provisions made by Seychelles, as per the Headquarters Agreement between the Food and Agriculture Organization of the United Nations (FAO) and Seychelles.

#### *Recommendation/s*

34. The SCAF **RECOMMENDED** that the ICRU related charges, applied by the FAO, be eliminated from the IOTC current and future expenditure accounts, and that the Chair of the Commission communicate this decision to FAO.

### 6.3 Cost reductions

35. The SCAF **AGREED** on the need for savings to be achieved within the proposed budgets of 2014/15, which may be utilised to fund the Meeting Participation Fund and the proposed Compliance Working Group, if adopted by the Commission, within the approved budget period.
36. The SCAF **AGREED** that IOTC meetings should be streamlined and consolidated, where possible, by holding multiple meetings at the same time and concurrently in a single location, as it is currently the case for some of the Science subsidiary bodies of other RFMOs.
37. The SCAF **NOTED** that the EU was willing to approve the 2014 and 2015 IOTC budgets, but needed to await the EU internal budget approval process for 2015, before committing to pay the 2015 IOTC budget contribution.

#### *Recommendation/s*

38. The SCAF **RECOMMENDED** that the Commission direct the Scientific Committee to provide its work plan on a multi-year basis, with project priorities clearly identified. In doing so, the SC should consider the immediate and longer term needs of the Commission.

### 6.4 Operating expenses – Support to Capacity Building

39. The SCAF **NOTED** that in 2013, the Commission budgeted US\$80,000 for additional capacity building activities, of which US\$74,743 was spent. To the extent possible and within the budget available, the Secretariat intends to continue to develop capacity in the area of compliance (including Compliance Support Missions and training on implementation of the port State measures), and familiarity with data analyses techniques for developing States. These will include workshops intended for scientists and managers to familiarize them with

the structure and functioning of the IOTC, including the development of management actions on the basis of scientific advice and existing IOTC regulations.

40. The SCAF **AGREED** that the Commission should consider increasing the IOTC Capacity Building budget line so that capacity building workshops/training can be carried out in 2014 (US\$111,000) and 2015 (US\$115,000). Where appropriate these training sessions shall include information that explains the entire IOTC process from data collection to analysis and how the information collected is used by the Commission to develop Conservation and Management Measures.

***Recommendation/s***

41. The SCAF **RECOMMENDED** that capacity building activities, including workshops on science (stock assessment), compliance with IOTC CMMs, data collection and reporting, and bridging the gap between IOTC science and management advice, be continued in 2014 and financially supported through the IOTC budget and through voluntary contributions from Members and other interested parties.

**6.5 The need to plan a biennial budget**

42. The SCAF **NOTED** that for a number of years, the meetings of the Commission have been taking place three to five months into the financial year for which the budget applies. At the end of the meeting, the approved schedule of contributions is then communicated to FAO who issues call-for-funds letters on average, between one and two months after the Session of the Commission. In effect, this means that the first contributions from the Members will not start to be received until the end of July, at the earliest, almost seven months after the start of the financial year. For example, the Commission is currently seeking to approve its 2014 budget in June, 2014, more than five months after the start of the financial year (1 January 2014). The approved schedule of contributions will then be communicated to FAO in June 2014, and then to Members in July by FAO, via 'call-for-funds letters'. This timeline means that for a period of at least six months, from 1 January until the end of June, the Commission operates in deficit until contributions are received from Members.
43. The SCAF **RECOGNISED** that approval of a two year budget will mitigate the risk associated with receiving contributions 6-12 months after expenditure occurs in the Secretariat, by calling for 2015 funds in December 2014.

***6.6 Project support costs and in-kind contributions by FAO to IOTC***

44. The SCAF **NOTED** that FAO's administrative implementation of the IOTC is within FAO's project cycle management and the administrative expenses of all FAO projects are cost recovered. The 4.5% Project Servicing Cost (PSC) recovery from IOTC is the cost of IOTC being a FAO regional fishery body within FAO's project structure.
45. The SCAF **AGREED** the IOTC should not be considered as a project by FAO and has been in existence for approximately 18 years as an autonomous regional fisheries management body.

***Recommendation/s***

46. The SCAF **RECOMMENDED** that the Commission endorse the IOTC Secretariat's programme of work for the financial period 01 January, 2014 to 31 December 2015, as outlined in paper IOTC-2014-SCAF11-05.
47. The SCAF **RECOMMENDED** that the Commission adopt the budget for, and the scheme of contributions for 2014 and 2015 as outlined in [Appendix IV](#) and [Appendix V](#) respectively, with the understanding that areas of potential savings continue to be explored.
48. The SCAF **RECOMMENDED** that the Commission note that the programme of work for the IOTC Secretariat is based on the assumption that the nature and extent of the activities undertaken by the Secretariat will remain within the current scope. Any new activities agreed to during the 18<sup>th</sup> Session of the Commission (S18) that are likely to have budgetary consequences, will require an amendment of the figures presented to, and endorsed by the Commission.
49. The SCAF **RECOMMENDED** that an analysis of the cost and the benefits of IOTC's existence within and outside of FAO's structure be undertaken to ascertain the viability of IOTC breaking from the UN administrative structure and mandate.

**7. PERFORMANCE REVIEW UPDATE (RESOLUTION 09/01 ON THE PERFORMANCE REVIEW FOLLOW-UP)**

50. The SCAF **NOTED** paper IOTC-2014-SCAF11-06 which outlined the current status of implementation for each of the recommendations arising from the Report of the IOTC Performance Review Panel, relevant to the SCAF.

51. The SCAF **UPDATED** the status table, including the workplan and proposed timelines and priorities for each recommendation relevant to the work of the SCAF, for the Commission's consideration.
52. The SCAF **NOTED** that the pending activities 78 and 81 relating to efficiency and cost effectiveness of IOTC activities can be undertaken without the IOTC reform.

***Recommendation/s***

53. The SCAF **RECOMMENDED** that the Commission note the current status of implementation for each of the recommendations arising from the Report of the IOTC Performance Review Panel, relevant to the SCAF, as provided in [Appendix VI](#).

## **8. OTHER BUSINESS**

### ***8.1 Options for replenishing the IOTC Meeting participation fund***

54. The SCAF **NOTED** paper IOTC–2014–SCAF11–07 which outlined options for the replenishment of the IOTC Meeting Participation Fund.
55. The SCAF **RECOGNISED** the need to adequately fund the MPF and proposed options that may be used to achieve savings that may be utilised to partially fund MPF activities in 2014/15.

***Recommendation/s***

56. The SCAF **RECOMMENDED** that the Secretariat seek voluntary contributions from Members and other interested groups to supplement the MPF.
57. The SCAF **RECOMMENDED** that the rules of procedure for the administration of the IOTC MPF be modified to exclude funding for Cooperating Non-Contracting Parties, as they currently do not contribute to the IOTC budget.
58. The SCAF **RECOMMENDED** that the MPF is budgeted every year and priorities could be set on the use of available funds.

### ***8.2 Strategic priorities for the Secretariat***

59. The SCAF **NOTED** paper IOTC–2014–SCAF11–08 which outlined the Strategic Priority of the Secretariat and **REQUESTED** that the paper be submitted to the Commission for its information. The Secretariat, based on the Commission's requests and needs shall annually review the strategy.

### ***8.3 Membership of Sierra Leone and Guinea in the IOTC***

60. The SCAF **NOTED** paper IOTC–2014–SCAF11–10 which outlined Members deemed to have withdrawn from the Membership of IOTC in accordance with the IOTC Agreement.
61. The SCAF **NOTED** that Guinea and Sierra Leone have been contacted by the Chair of the Commission, with assistance of the IOTC Executive Secretary, to assess their confirmation of continued involvement in the IOTC and to seek payment for overdue contributions.

***Recommendation/s***

62. The SCAF **RECOMMENDED** that the Commission consider paper IOTC–2014–SCAF11–10 (*Membership of Sierra Leone and Guinea in the IOTC*) as the SCAF was unable to agree on a course of action.

### ***8.4 Contributions outstanding***

63. The SCAF **NOTED** paper IOTC–2014–SCAF11–09 which outlines the status of contributions outstanding to the IOTC and propose options on how to recover contributions from Members who have not contributed for more than five years (with no interim payments).
64. The SCAF **RECALLED** its recommendation from 2012 and 2013 that all Members with overdue contributions finalise payment of those contributions as soon as possible so as not to hinder the operation of the IOTC. To facilitate this process, the Chair of the Commission was asked to write to each of the CPCs with contributions in arrears totaling more than the previous two years to seek confirmation of their continued involvement in the IOTC, quoting Article IV, para. 4 of the IOTC Agreement, and to seek payment for overdue contributions. Responses from those CPCs were to be circulated by the Secretariat to all CPCs for considering at the 18<sup>th</sup> Session of the Commission.
65. The SCAF **NOTED** that six CPCs were contacted (Eritrea, Guinea, I.R. Iran, Pakistan, Sierra Leone and Sudan) and Pakistan, I.R. Iran and Sudan responded with an intention to pay their outstanding IOTC contributions.

66. The SCAF **NOTED** that as of 23 April 2014, seven IOTC Members (Eritrea, Guinea, I.R. Iran, Pakistan, Sierra Leone, Sudan and Vanuatu), have contributions that are in arrears by two years or more. The I.R. of Iran has encountered difficulties to submit funds through regular banking channels to the accounts provided by FAO.
67. The SCAF **NOTED** the statement from the I.R. Iran on why it was having difficulty finalising its payments in arrears and acknowledged the legitimate attempts that I.R. Iran had made in recent years to pay the annual contributions.
68. The SCAF **NOTED** that Sudan had indicated (via a letter to the IOTC Secretariat) that they are having continued difficulty paying their annual contributions on account of economic obstacles in securing and transferring foreign currencies, due to sanctions that the country is facing.
69. The SCAF **RECOGNISED** the difficulties faced by the I.R. Iran in transferring payment to the IOTC and accepts the communication received by the Secretariat, from the Head of the I.R. Iran Fisheries Organization, as confirmation of their continued involvement in the IOTC and willingness to resolve the payment of outstanding contributions to the Commission.
70. The SCAF **NOTED** the payment of contribution made by Kenya and confirms the removal of Kenya from the list of Member countries in arrears in contribution that total more than the previous two combined years of contributions due.

***Recommendation/s***

71. The SCAF **RECOMMENDED** that the IOTC Secretariat, in consultation with the Chair of the Commission, to conduct bilateral discussion with the I.R. Iran with a view to find a mutually satisfactory method to recover the outstanding contributions and to detail a plan of action for payment to Membership.
72. The SCAF **RECOMMENDED** that CPCs that did not reply to the communications sent by the Chair of the Commission, regarding the payment of outstanding contributions shall not benefit from any IOTC related activities in regard to MPF, workshops, training and related support. CPCs in arrears for more than five years and have no interim payment should not benefit from any IOTC related activities, with the exception of I.R. Iran on the basis of the difficulties highlighted in [para 69](#).
73. The SCAF **RECOMMENDED** that all Members with overdue IOTC contributions finalise payment of those contributions as soon as possible so as not to hinder the operation of the IOTC. To facilitate this process, the Chair of the Commission, with the assistance of the Secretariat and the FAO Legal Department, shall conduct bilateral discussion with each of the CPCs with contributions in arrears totaling more than the previous two years, with a view to recover the outstanding contributions and further assess their interest of continued involvement in the IOTC. Responses from those CPCs should be circulated by the Secretariat to all CPCs for consideration at the 12<sup>th</sup> Session of the SCAF.

***8.5 Election of a Chairperson and Vice-Chairperson for the next biennium***

74. The SCAF **CONSIDERED** candidates for the position of Chair and Vice-Chair of the SCAF for the next biennium. Mr. Benjamin Tabios (Philippines) was nominated and elected as Chair and Mr. Bojrazsingh Boyramboli (Mauritius) was elected as Vice-Chair of the SCAF for the next biennium unanimously.
75. The SCAF **RECOMMENDED** that the Commission confirms the election of the new Chair (Mr. Benjamin Tabios, Philippines) and Vice-Chair Mr. Bojrazsingh Boyramboli (Mauritius) of the SCAF for the next biennium.

**9. DATE AND PLACE OF THE 12<sup>TH</sup> SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE**

76. The SCAF participants were unanimous in **THANKING** Sri Lanka, for hosting the 11<sup>th</sup> Session of the SCAF and commended Sri Lanka on the warm welcome, the excellent facilities and assistance provided to the IOTC Secretariat in the organisation and running of the Session.
77. Following a discussion on who would host the 12<sup>th</sup> Session of the SCAF in 2015, the SCAF **RECOMMENDED** that the 12<sup>th</sup> Session of the SCAF be held for two days, prior to the Commission meeting in 2015. The exact dates and location would be decided by the Commission.

**10. REVIEW OF THE DRAFT AND ADOPTION OF THE REPORT OF THE ELEVENTH SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE**

78. The SCAF **RECOMMENDED** that the Commission consider the consolidated set of recommendations arising from SCAF11, provided at [Appendix VII](#).

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79. The report of the 11<sup>th</sup> Session of the Standing Committee on Administration and Finance (IOTC-2014-SCAF11-R) was adopted on 31 May 2014.

**APPENDIX I  
LIST OF PARTICIPANTS**

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**APPENDIX II**  
**AGENDA OF THE ELEVENTH SESSION STANDING COMMITTEE ON ADMINISTRATION AND FINANCE**

**Date:** 29 and 31 May, 2014

**Location:** **Bandaranaike Memorial International Conference Hall (BMICH)**  
Colombo, Sri Lanka

**Time:** 0900–1700 daily

**Chair:** Mr Godfrey Monor (Kenya); **Vice-Chair:** Dr. Benjamin Tabios (Philippines)

1. **OPENING OF THE SESSION** (Chair)
2. **ADOPTION OF THE AGENDA AND ARRANGEMENTS FOR THE SESSION** (Chair)
3. **ADMISSION OF OBSERVERS** (Chair)
4. **FINANCIAL STATEMENT**
5. **PROGRESS REPORT OF THE SECRETARIAT FOR 2013**
6. **PROGRAM OF WORK AND BUDGET ESTIMATES FOR 2014, 2015 and 2016**
7. **PERFORMANCE REVIEW UPDATE (RESOLUTION 09/01 ON THE PERFORMANCE REVIEW FOLLOW-UP)** (Chair)
8. **OTHER BUSINESS** (Chair)
  - 8.1 *Options for replenishing the IOTC Meeting participation fund (MPF)*
  - 8.2 *Strategic priorities for the Secretariat*
  - 8.3 *Membership of Sierra Leone and Guinea in the IOTC*
  - 8.4 *Outstanding Contributions*
  - 8.5 *Election of a Chair and Vice-Chair for the next biennium*
9. **DATE AND PLACE OF THE TWELTH SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE** (Chair)
10. **REVIEW OF THE DRAFT AND ADOPTION OF THE REPORT OF THE ELEVENTH SESSION OF THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE** (Chair)

**APPENDIX III LIST  
OF DOCUMENTS**

<b>Document</b>	<b>Title</b>	<b>Availability</b>
IOTC-2014-SCAF11-01a	Draft agenda for the 11 <sup>th</sup> Session of the Standing Committee on Administration and Finance	6 March 2014
IOTC-2014-SCAF11-01b	Draft annotated agenda for the 11 <sup>th</sup> Session of the Standing Committee on Administration and Finance	15 April 2014
IOTC-2014-SCAF11-02	Draft list of documents for the 11 <sup>th</sup> Session of the Standing Committee on Administration and Finance	16 April 2014
IOTC-2014-SCAF11-03	Financial Statement: 2013	23 April 2014
IOTC-2014-SCAF11-04	Progress report of the Secretariat: 2013	14 April 2014
IOTC-2014-SCAF11-05	Program of work and budget for 2014, 2015 and indicative budgets for 2016	30 March 2014
IOTC-2014-SCAF11-06	Performance Review Update (Resolution 09/01 – <i>On the performance review follow-up</i> )	10 April 2014
IOTC-2014-SCAF11-07	Meeting participation fund (MPF) replenishment options	16 April 2014
IOTC-2014-SCAF11-08	Executive Secretary: Strategic priorities	30 April 2014
IOTC-2014-SCAF11-09	Contributions outstanding	8 April 2014
IOTC-2014-SCAF11-10	Membership of Sierra Leone and Guinea in the IOTC	17 April 2014

**APPENDIX IV**  
**PROPOSED BUDGET FOR 2014/15 AND INDICATIVE BUDGET FOR 2016 (IN USD)**

Budget item description	2013 Actual Expenditures	2014	2015	2016
<b><u>Administrative Expenditures</u></b>				
Gross salary costs (before deductions)				
Professional				
Executive Secretary	157,435	160,787	167,219	173,907
Deputy Secretary / Science Manager	133,530	142,814	146,103	151,947
Fishery Officer (Data Coordinator)	138,860	147,290	153,181	159,308
Fishery Officer (Compliance Coordinator)	105,909	112,901	117,417	122,114
Fishery Officer (Stock Assessment)	127,367	135,005	140,405	146,022
Fishery Officer (Compliance)	119,413	125,448	130,466	135,685
Fishery Officer (Statistics)	89,852	95,892	99,728	103,717
Fishery Officer (Science)	15,028	70,214	97,363	101,258
Administrative Officer	49,104	100,749	104,779	108,970
Compliance Officer	0	0	0	55,000
General Service				
Administrative Assistant	12,143	12,420	12,927	13,445
Compliance Assistant	12,777	10,852	9,664	10,050
Programme Assistant	11,175	12,812	11,296	11,747
Database Assistant	13,411	9,284	13,335	13,869
Bilingual Secretary	6,766	6,914	7,172	7,459
Driver	6,961	6,988	7,274	7,565
Overtime	3,294	5,250	5,460	5,678
<b>Total Salary costs</b>	<b>1,003,024</b>	<b>1,155,619</b>	<b>1,223,789</b>	<b>1,327,740</b>
Employer contributions to Pension Fund and health insurance	283,363	309,403	321,780	354,651
Employer contribution to FAO entitlement fund	478,683	546,951	568,829	606,582
Improved Cost Recovery Uplift		124,036	131,006	142,556
<b>Total staff costs</b>	<b>1,765,069</b>	<b>2,136,009</b>	<b>2,245,403</b>	<b>2,431,529</b>
Expenditure for Activities				
<b><u>Operating Expenditures</u></b>				
Support Capacity Building	74,743	111,000	115,000	115,000
Consultants	73,746	102,000	145,500	150,000
Duty travel	205,473	181,471	191,400	200,000
Meetings	166,438	46,235	55,000	70,000
Interpretation	139,748	101,000	120,000	135,000
Translation	91,063	101,783	105,000	115,000
Equipment	22,407	15,775	16,500	25,000
General Operating Expenses	47,238	61,500	69,300	77,000
Printing	20,505	31,385	23,100	33,000
Contingencies	5,432	6,000	6,600	8,000
MPF	-	60,000	60,000	60,000
<b>Total Operating Expenditure</b>	<b>846,793</b>	<b>818,149</b>	<b>907,400</b>	<b>988,000</b>
<b>SUB-TOTAL</b>	<b>2,611,862</b>	<b>2,977,658</b>	<b>3,152,803</b>	<b>3,419,529</b>
Additional Contrib. Seychelles	-19,714	-20,100	-20,100	-20,100
FAO Servicing Costs	117,343	132,937	141,876	153,879
<b>GRAND TOTAL</b>	<b>2,709,491</b>	<b>3,066,995</b>	<b>3,274,579</b>	<b>3,553,308</b>
Total increase in budget year to year		13%	6%	9%

**APPENDIX V**  
**INDICATIVE SCALE OF CONTRIBUTIONS FOR 2014 (IN USD)**

Country	World Bank Classification in 2011	OECD Membership	Average catch for 2009- 2011 (in metric tons)	Base Contribution	Operations Contribution	GNP Contribution	Catch Contribution	Total Contribution (in USD)
Australia	High	Yes	5,385	\$9 894	\$11 796	\$111 527	\$14 140	\$147 356
Belize	Middle	No	Below 400t	\$9 894	\$0	\$27 882	\$113	\$37 889
China	Middle	No	65,407	\$9 894	\$11 796	\$27 882	\$34 344	\$83 915
Comoros	Low	No	5,328	\$9 894	\$11 796	\$0	\$2 798	\$24 488
Eritrea	Low	No	962	\$9 894	\$11 796	\$0	\$505	\$22 195
European Community	High	Yes	183,194	\$9 894	\$11 796	\$111 527	\$481 053	\$614 270
France(Terr)	High	Yes	19,978	\$9 894	\$11 796	\$111 527	\$52 460	\$185 677
Guinea	Low	No	Below 400t	\$9 894	\$11 796	\$0	\$261	\$21 951
India	Middle	No	143,708	\$9 894	\$11 796	\$27 882	\$75 473	\$125 044
Indonesia	Middle	No	356,862	\$9 894	\$11 796	\$27 882	\$187 418	\$236 990
Iran, Islamic Republic of	Middle	No	168,437	\$9 894	\$11 796	\$27 882	\$88 460	\$138 032
Japan	High	Yes	19,901	\$9 894	\$11 796	\$111 527	\$52 259	\$185 476
Kenya	Low	No	736	\$9 894	\$11 796	\$0	\$403	\$22 092
Korea, Republic of	High	Yes	2,196	\$9 894	\$11 796	\$111 527	\$5 768	\$138 984
Madagascar	Low	No	8,650	\$9 894	\$11 796	\$0	\$4 543	\$26 233
Malaysia	Middle	No	26,498	\$9 894	\$11 796	\$27 882	\$13 916	\$63 488
Maldives	Middle	No	98,100	\$9 894	\$11 796	\$27 882	\$51 521	\$101 092
Mauritius	Middle	No	774	\$9 894	\$11 796	\$27 882	\$406	\$49 978
Mozambique	Low	No	Below 400t	\$9 894	\$11 796	\$0	\$1 478	\$23 167
Oman	High	No	22,604	\$9 894	\$11 796	\$111 527	\$10 498	\$143 714
Pakistan	Middle	No	52,940	\$9 894	\$11 796	\$27 882	\$27 803	\$77 375
Philippines	Middle	No	636	\$9 894	\$11 796	\$27 882	\$334	\$49 906
Seychelles	Middle	No	75,911	\$9 894	\$11 796	\$27 882	\$39 867	\$89 439
Sierra Leone	Low	No	Below 400t	\$9 894	\$0	\$0	\$0	\$9 894
Sri Lanka	Middle	No	96,165	\$9 894	\$11 796	\$27 882	\$50 504	\$100 076
Sudan	Middle	No	Below 400t	\$9 894	\$0	\$27 882	\$18	\$37 793
Tanzania	Low	No	4,234	\$9 894	\$11 796	\$0	\$2 301	\$23 991
Thailand	Middle	No	20,964	\$9 894	\$11 796	\$27 882	\$11 010	\$60 582
United Kingdom(Terr)	High	Yes	Below 400t	\$9 894	\$0	\$111 527	\$47	\$121 467
Vanuatu	Middle	No	Below 400t	\$9 894	\$0	\$27 882	\$94	\$37 869
Yemen	Middle	No	32,374	\$9 894	\$11 796	\$27 882	\$17 002	\$66 574
<b>Total</b>				<b>306 700</b>	<b>306 700</b>	<b>1 226 798</b>	<b>1 226 798</b>	<b>3 066 995</b>

\*Total contributions may vary from the sum of the four components by up to one dollar due to rounding

**APPENDIX V (CONT)**  
**INDICATIVE SCALE OF CONTRIBUTIONS FOR 2015 (IN USD)**

Country	World Bank Classification in 2012	OECD Membership	Average catch for 2010-2012 ( in metric tons)	Base Contribution	Operations Contribution	GNP Contribution	Catch Contribution	Total Contribution (in USD)
Australia	High	Yes	5,385	\$10,563	\$13,098	\$119,076	\$14,519	\$157,256
Belize	Middle	No	Below 400t	\$10,563	\$0	\$29,769	\$183	\$40,515
China	Middle	No	65,407	\$10,563	\$13,098	\$29,769	\$37,985	\$91,415
Comoros	Low	No	5,328	\$10,563	\$13,098	\$0	\$2,904	\$26,565
Eritrea	Low	No	962	\$10,563	\$13,098	\$0	\$471	\$24,132
European Community	High	Yes	183,194	\$10,563	\$13,098	\$119,076	\$488,574	\$631,311
France(Terr)	High	Yes	19,978	\$10,563	\$13,098	\$119,076	\$71,585	\$214,322
Guinea	Low	No	Below 400t	\$10,563	\$0	\$0	\$124	\$10,688
India	Middle	No	143,708	\$10,563	\$13,098	\$29,769	\$89,186	\$142,616
Indonesia	Middle	No	356,862	\$10,563	\$13,098	\$29,769	\$190,805	\$244,236
Iran, Islamic Republic of	Middle	No	168,437	\$10,563	\$13,098	\$29,769	\$103,965	\$157,395
Japan	High	Yes	19,901	\$10,563	\$13,098	\$119,076	\$46,334	\$189,071
Kenya	Low	No	736	\$10,563	\$13,098	\$0	\$370	\$24,032
Korea, Republic of	High	Yes	2,196	\$10,563	\$13,098	\$119,076	\$7,799	\$150,536
Madagascar	Low	No	8,650	\$10,563	\$13,098	\$0	\$4,899	\$28,561
Malaysia	Middle	No	26,498	\$10,563	\$13,098	\$29,769	\$15,851	\$69,282
Maldives	Middle	No	98,100	\$10,563	\$13,098	\$29,769	\$56,221	\$109,651
Mauritius	Middle	No	774	\$10,563	\$13,098	\$29,769	\$330	\$53,761
Mozambique	Low	No	Below 400t	\$10,563	\$13,098	\$0	\$2,069	\$25,731
Oman	High	No	22,604	\$10,563	\$13,098	\$119,076	\$13,322	\$156,059
Pakistan	Middle	No	52,940	\$10,563	\$13,098	\$29,769	\$31,251	\$84,681
Philippines	Middle	No	636	\$10,563	\$13,098	\$29,769	\$686	\$54,116
Seychelles	Middle	No	75,911	\$10,563	\$13,098	\$29,769	\$40,723	\$94,154
Sierra Leone	Low	No	Below 400t	\$10,563	\$0	\$0	\$0	\$10,563
Sri Lanka	Middle	No	96,165	\$10,563	\$13,098	\$29,769	\$56,650	\$110,080
Sudan	Middle	No	Below 400t	\$10,563	\$0	\$29,769	\$19	\$40,351
Tanzania	Low	No	4,234	\$10,563	\$13,098	\$0	\$3,617	\$27,279
Thailand	Middle	No	20,964	\$10,563	\$13,098	\$29,769	\$8,886	\$62,316
United Kingdom(Terr)	High	Yes	Below 400t	\$10,563	\$0	\$119,076	\$24	\$129,673
Vanuatu	Middle	No	Below 400t	\$10,563	\$0	\$29,769	\$107	\$40,439
Yemen	Middle	No	32,374	\$10,563	\$13,098	\$29,769	\$20,362	\$73,792
<b>Total</b>				<b>327,458</b>	<b>327,458</b>	<b>1,309,832</b>	<b>1,309,832</b>	<b>3,274,579</b>

## APPENDIX VI

## SCAF: UPDATE ON PROGRESS REGARDING RESOLUTION 09/01 – ON THE PERFORMANCE REVIEW FOLLOW-UP

(NOTE: NUMBERING AND RECOMMENDATIONS AS PER APPENDIX I OF RESOLUTION 09/01)

ON CONSERVATION AND MANAGEMENT	RESPONSIBILITY	UPDATE/STATUS	WORKPLAN/TIMELINE	PRIORITY
<b>Data collection and sharing</b>				
11. Support for capacity building be provided to developing States – the Commission should enhance funding mechanisms to build developing country CPCs' capacity for data collection, processing and reporting infrastructures, in accordance with the Commission requirements.	<i>Standing Committee on Administration and Finance and Finance</i>	<p><b>Ongoing:</b> In 2010 The Commission allocated USD\$400,000 for a range of projects related to capacity building in data collection and reporting.</p> <p>The Commission allocated USD\$60,000 for Capacity Building in the 2011 budget, USD\$78,000 in 2012 and US\$80,000 in 2013. Further increases have been proposed for the 2014 and 2015 budgets.</p> <p>One workshop was organized in 2011, in Chennai, India involving representatives of several CPCs.</p> <p>Other sources and cooperative arrangements will continue (e.g. IOTC-OFCF Project; CPCs) or might be available in the future</p>	Review annually at IOTC meetings.	High
15. The Secretariat's capacity for data dissemination and quality assurance be enhanced, including through the employment of a fisheries statistician.	<i>Standing Committee on Administration and Finance via Scientific Committee Commission</i>	<p><b>Partially completed &amp; Ongoing:</b> The existing post of Data Analyst was converted to a Fisheries Statistician to join the Data Section of the Secretariat. The position was filled in September 2012.</p> <p>Further efforts continue to be made to improve data dissemination, including through an online data atlas, planned for 2014/15.</p>	Staffing needs to be assessed annually at IOTC meetings.	Medium

<p>19. The Secretariat’s capacity to provide support to developing States’ Members should be enhanced.</p>	<p><i>Commission and Standing Committee on Administration and Finance</i></p>	<p><b>Ongoing:</b> Resolution 10/05 provides a mechanism for financial support to facilitate scientists and representatives from developing IOTC CPCs to attend and/or contribute to the work of the Commission, the Scientific Committee and its Working Parties. In 2012, 2013 and 2014, capacity building funds were provided and utilized in workshops to enhance understanding of the IOTC process among officials of member countries, The Secretariat has also collaborated directly and indirectly with other regional initiatives, including, inter alia, to the EU, BOBLME, OFCF, SWIOFC and SWIOFP, ACP Fish II and COI.</p>	<p>Review annually at IOTC meetings.</p>	<p>High</p>
<p><b>Quality and provision of scientific advice</b></p>				
<p>26. The resources of the IOTC Secretariat should be increased. Even though some progress will be made with recruitment of the stock analysis expert, some additional professional staffing is required.</p>	<p><i>Standing Committee on Administration and Finance on advice from Committees and the Commission</i></p>	<p><b>Ongoing:</b> The Secretariat will propose a budget for 2014 and 2015 that includes additional resources for projects requested by the Scientific Committee and Commission.</p>	<p>Review annually at IOTC meetings.</p>	<p>High</p>
<p>31. A special fund to support the participation of scientists from developing States should be established.</p>	<p><i>Standing Committee on Administration and Finance</i></p>	<p><b>Partially completed:</b> A Meeting Participation Fund was established via Resolution 10/05. The Resolution provides a funding mechanism to facilitate scientists and other representatives from developing IOTC CPCs to attend and/or contribute to the work of the Commission, the Scientific Committee and its Working Parties. The fund is financed, initially, by accumulated funds, with no provisions for long-term support yet agreed. The fund was replenished to USD\$200,000 at S17 from accumulated funds. An ongoing process of replenishment of this fund needs to be developed and a proposal to continue the IOTC Meeting Participation Fund will be consider during the S18 Session.</p>	<p>Review annually at IOTC SCAF and Commission meetings. A procedure for supplying funds to the MPF should be developed and presented at S18.</p>	<p>High</p>
<p><b>ON INTERNATIONAL COOPERATION</b></p>	<p>RESPONSIBILITY</p>	<p>UPDATE/STATUS</p>	<p>WORKPLAN/TIMELINE</p>	<p>PRIORITY</p>
<p><b>Special requirements of developing States</b></p>				

74. A specific fund to assist capacity building should be put in place.	<i>Standing Committee on Administration and Finance</i>	<b>Partially completed &amp; Ongoing.</b> A Meeting Participation Fund was established via Resolution 10/05 (See 19 and 31) and needs ongoing financial contributions. Additional funding for capacity building provided in 2012 and 2013 and proposed in the budgets for 2014 and 2015.  See also para. 11 above.	S18 will need to consider proposed budget lines for capacity building funds.	High.
<b>Participation</b>				
76. Financial support, in particular for attendance in the scientific activities to developing States, is needed.	<i>Standing Committee on Administration and Finance</i>	<b>Partially completed &amp; Ongoing:</b> A Meeting Participation Fund was established via Resolution 10/05. The Resolution provides a funding mechanism to facilitate scientists and other representatives from CPCs who are developing States to attend IOTC meetings. The fund is financed, initially, by accumulated funds, with no provisions for long-term support yet agreed.	Annually for each IOTC meeting. A procedure for supplying funds to the MPF should be developed and presented at S18 by a CPC.	High
<b>ON FINANCIAL AND ADMINISTRATIVE ISSUES</b>		UPDATE/STATUS	WORKPLAN/TIMELINE	PRIORITY
<b>Availability of resources for RFMO activities – efficiency and cost-effectiveness</b>				
78. The IOTC Agreement as well as financial management rules should be amended or replaced in order to increase Members’ as well as Secretariat’s control of all the budget elements, including staff costs of the budget. This would also improve transparency.	<i>Standing Committee on Administration and Finance  Commission and Members</i>	<b>Pending.</b> See Recommendations 1 and 2.		High
81. The agreed external financial audit should be implemented as soon as possible, and should include a focus on whether IOTC is efficiently and effectively managing its human and financial resources, including those of the Secretariat.	<i>Standing Committee on Administration and Finance  Commission</i>	<b>Pending.</b>		

## APPENDIX VII

**CONSOLIDATED SET OF RECOMMENDATIONS OF THE 11<sup>TH</sup> SESSION OF THE STANDING  
COMMITTEE ON ADMINISTRATION AND FINANCE (29 AND 31 MAY, 2014) TO THE  
COMMISSION**

**Financial Statement**

SCAF11-01 ([para. 11](#)) The SCAF **RECOMMENDED** that the Secretariat request FAO Finance to report remittance advices from IOTC Membership to the Secretariat in real time, without delay and for Membership to label all remittances with an 'IOTC' reference and send a copy to the Secretariat in order to prevent delays in the transfer of funds to the IOTC's account.

**Programme of Work and Budget Estimates for 2014, 2015 and 2016**

SCAF11-02 ([para. 34](#)) The SCAF **RECOMMENDED** that the ICRU related charges, applied by the FAO, be eliminated from the IOTC current and future expenditure accounts, and that the Chair of the Commission communicate this decision to FAO.

SCAF11-03 ([para. 38](#)) The SCAF **RECOMMENDED** that the Commission direct the Scientific Committee to provide its work plan on a multi-year basis, with project priorities clearly identified. In doing so, the SC should consider the immediate and longer term needs of the Commission.

SCAF11-04 ([para. 41](#)) The SCAF **RECOMMENDED** that capacity building activities, including workshops on science (stock assessment), compliance with IOTC CMMs, data collection and reporting, and bridging the gap between IOTC science and management advice, be continued in 2014 and financially supported through the IOTC budget and through voluntary contributions from Members and other interested parties.

SCAF11-05 ([para. 46](#)) The SCAF **RECOMMENDED** that the Commission endorse the IOTC Secretariat's programme of work for the financial period 01 January, 2014 to 31 December 2015, as outlined in paper IOTC-2014-SCAF11-05.

SCAF11-06 ([para. 47](#)) The SCAF **RECOMMENDED** that the Commission adopt the budget for, and the scheme of contributions for 2014 and 2015 as outlined in [Appendix IV](#) and [Appendix V](#) respectively, with the understanding that areas of potential savings continue to be explored.

SCAF11-07 ([para. 48](#)) The SCAF **RECOMMENDED** that the Commission note that the programme of work for the IOTC Secretariat is based on the assumption that the nature and extent of the activities undertaken by the Secretariat will remain within the current scope. Any new activities agreed to during the 18<sup>th</sup> Session of the Commission (S18) that are likely to have budgetary consequences, will require an amendment of the figures presented to, and endorsed by the Commission.

SCAF11-08 ([para. 49](#)) The SCAF **RECOMMENDED** that an analysis of the cost and the benefits of IOTC's existence within and outside of FAO's structure be undertaken to ascertain the viability of IOTC breaking from the UN administrative structure and mandate.

**Performance Review Update (Resolution 09/01 on the performance review follow-up)**

SCAF11-09 ([para. 53](#)) The SCAF **RECOMMENDED** that the Commission note the current status of implementation for each of the recommendations arising from the Report of the IOTC Performance Review Panel, relevant to the SCAF, as provided in [Appendix VI](#).

**Other Business****Options for replenishing the IOTC Meeting participation fund Recommendation/s**

SCAF11-10 ([para. 56](#)) The SCAF **RECOMMENDED** that the Secretariat seek voluntary contributions from Members and other interested groups to supplement the MPF.

SCAF11-11 ([para. 57](#)) The SCAF **RECOMMENDED** that the rules of procedure for the administration of the IOTC MPF be modified to exclude funding for Cooperating Non-Contracting Parties, as they currently do not contribute to the IOTC budget.

SCAF11-12 ([para. 58](#)) The SCAF **RECOMMENDED** that the MPF is budgeted every year and priorities could be set on the use of available funds.

**Membership of Sierra Leone and Guinea in the IOTC**

SCAF11–13 ([para. 62](#)) The SCAF **RECOMMENDED** that the Commission consider paper IOTC–2014–SCAF11–10 (Membership of Sierra Leone and Guinea in the IOTC) as the SCAF was unable to agree on a course of action.

**Contributions outstanding**

SCAF11–14 ([para. 71](#)) The SCAF **RECOMMENDED** that the IOTC Secretariat, in consultation with the Chair of the Commission, to conduct bilateral discussion with the I.R. Iran with a view to find a mutually satisfactory method to recover the outstanding contributions and to detail a plan of action for payment to Membership.

SCAF11–15 ([para. 72](#)) The SCAF **RECOMMENDED** that CPCs that did not reply to the communications sent by the Chair of the Commission, regarding the payment of outstanding contributions shall not benefit from any IOTC related activities in regard to MPF, workshops, training and related support. CPCs in arrears for more than five years and have no interim payment should not benefit from any IOTC related activities, with the exception of I.R. Iran on the basis of the difficulties highlighted in para 69.

SCAF11–16 ([para. 73](#)) The SCAF **RECOMMENDED** that all Members with overdue IOTC contributions finalise payment of those contributions as soon as possible so as not to hinder the operation of the IOTC. To facilitate this process, the Chair of the Commission, with the assistance of the Secretariat and the FAO Legal Department, shall conduct bilateral discussion with each of the CPCs with contributions in arrears totaling more than the previous two years, with a view to recover the outstanding contributions and further assess their interest of continued involvement in the IOTC.. Responses from those CPCs should be circulated by the Secretariat to all CPCs for consideration at the 12<sup>th</sup> Session of the SCAF.

**Election of a Chairperson and Vice-Chairperson for the next biennium**

SCAF11–17 ([para. 75](#)) The SCAF **RECOMMENDED** that the Commission confirms the election of the new Chair (Mr. Benjamin Tabios, Philippines) and Vice-Chair Mr. Bojrazsingh Boyramboli (Mauritius) of the SCAF for the next biennium.

**Date and Place of the 12<sup>th</sup> Session of the Standing Committee on Administration and Finance**

SCAF11–18 ([para. 77](#)) Following a discussion on who would host the 12<sup>th</sup> Session of the SCAF in 2015, the SCAF **RECOMMENDED** that the 12<sup>th</sup> Session of the SCAF be held for two days, prior to the Commission meeting in 2015. The exact dates and location would be decided by the Commission.

**Review of the Draft and Adoption of the Report of the 11<sup>th</sup> Session of the Standing Committee on Administration and Finance**

SCAF11–19 ([para. 78](#)) The SCAF **RECOMMENDED** that the Commission consider the consolidated set of recommendations arising from SCAF11, provided at [Appendix VII](#).

**Table 8: Financial, Personnel and IT arrangements and tasks shared with IOTC and FAO**

In trying to put some clarity and understanding about where these functions are currently undertaken the tables below provide an assessment of the roles and responsibilities of both the IOTC and FAO staff for each of the functions.

Item	Who does it now? IOTC	FAO
Finance System	IOTC Staff have access to FAO system (Global Resource Management System) to enter accounts to be paid and can check payments and financial situation	Maintained by FAO
Financial Report	IOTC prepares statements for members based on FAO financial reports.	FAO provide systems. IOTC staff interrogate and produce reports
Accounts Payable	Payment Orders raised on the GRMS. IOTC inputs all accounts to be paid to FAO system. Payments are always made through the FAO System	FAO checks and approves the initial payment order then IOTC draws against that original commitment. All payments require approval of 2 officers in the IOTC. ED and Finance Manager. If it is a payment to ED then FAO approves.
Accounts received	IOTC follows up all outstanding payments and sends accounts except for the initial member contributions letter which are sent by FAO.	FAO sends the requests for contributions and when the funds come in the banked in the FAO/IOTC Trust fund. Dealt with by a Trust fund officer.
Payroll	The payroll system used by the IOTC is an FAO payroll system. On recruitment staff names are added to the payroll system and the payments made automatically. Payroll variations can be made (overtime, higher duties) and these are entered by the IOTC staff. The only other action for IOTC staff is to arrange the local currency payments in the Seychelles.	Management recruitment processes and undertake initial establishment on the payroll system. Maintain system, record staff changes as appropriate (vendor record updates allowed every 6 months).
Extra Budgetary funding	This is money paid in by members as extra budgetary funding to provide for specific projects such as tagging, IUU sharks etc. These funds are held in separate accounts established within the FAO system so that they can be individually reported on. FAO applies normal management costs to these additional funds as they are managed in the FAO system and this is one of the main criticism of the IOTC members. IOTC staff prepare project plans	There is a separate FAO office for this. All contracts are signed with Rome who clear the grant agreements but then they are managed by IOTC budget manager. Separate projects have separate oracle codes so they can be managed separately inside the broader system.

	establish staff positions, and report on project progress to members and the FAO.	
Banking Seychelles	IOTC has a local account with Barclays in US dollars and Seychelles Rupees. Account holds funds to cover local payroll and DSA payments etc. IOTC pays from a Barclays rupee account by check local rupee accounts for things like internet, water etc, cleaning lady	
Banking Rome		All IOTC Funds are held in the IOTC Trust Fund MTF/INT/661

### Personnel Management

Function	Who does What? IOTC	FAO
Staff recruitment and selection	Support staff are advertised by IOTC in local newspaper and selections done locally. Support staff TOR also cleared through FAO. Report submitted through FAO HR as well for approval then FAO does recruitment, health check, rules, benefits etc done by FAO	FAO advertises for professional positions on intra and job site. TOR developed by IOTC and cleared by FAO HR. Once position closes applications come to IOTC and interviews selection done locally. Then if all Ok FAO goes ahead with recruitment.
Post Classification	IOTC has flexibility to decide on new positions and in a normal process IOTC decides and then paper work and evidence of funding availability is then sent to FAO	FAO approves and begins then begins the process of recruitment
Entitlement management	IOTC helps in staff understanding of entitlements but all benefits and allowances are processed through FAO	Staff o deal directly with FAO HR on benefits and allowances
Personnel Appeals	Follow FAO guidelines. Not happened in IOTC. Guidance provided by Finance manager on process and rules.	Staff work with unions in FAO HQ. Formal processes in place
Pension	Managed by the FAO	Established by the FAO at commencement of tenure and deductions made monthly and passed to UNJSPF
Health benefits	Contributions deducted monthly through and passed to the FAO Health provider Alliance	Managed by FAO

### Information and Technology Communications

<b>Function</b>	<b>Who does it now IOTC</b>	<b>FAO</b>
Email Services	There are 2 IOTC and FAO. For internal FAO work relies on FAO email but for most others IOTC email. IOTC email network is here in Mahe and maintained locally. Server in US but will soon be locally based.	FAO manages the FAO email network from HQ in Rome
Accounting Systems		FAO manages these through HQ in Rome access granted to IOTC staff to enter data and interrogate
Data base systems	Local data bases for science data developed by consultants under direction of IOTC staff..	FAO consulted now on who is contracted to consult on data based systems
Computer software support	All local external from FAO supported locally	FAO Systems supported out of Africa or Rome (ROAF or RHQ).
Hardware and desktop support	Provided locally	Local manager will consult with Rome on Technical issues
Help desk service	Provided locally	Local manager will consult with Rome on technical issues
Communication consultant	If needed must be cleared through FAO as they want it all to be central.	Coordinated by Rome

### General Services

<b>Function</b>	<b>Who does it now IOTC</b>	<b>FAO</b>
High value procurement and contracting	e.g. MRAG regional Observer scheme. EU funding. Local expression of interest and the process for ranking and scoring FAO then approves before advertising	FAO advertises IOTC advertise as well and provides a link. FAO approves selection

Consultants and contracting	Members agree the expression of interest on IOTC website. Local advertising but with FAO processes. IOTC scores and selects	Submit selection to FAO with consultants and daily rates etc FAO approves and the FAO does contract with the consultant.
Legal Services	No local legal services	FAO dependent, immunities , approving projects etc
Internal Audit	Assistance with audit provided locally Has only ever been one audit. Follow up requested.	By FAO
External Audit	None at the moment have had internal audit	
Travel and per diems	Travel is a central system in GRMS locally can do an exact itinerary or a schedule to CWT and then they give quote. Then use this to prepare travel authorization. Approved locally for project travel but things like ABNJ is Rome. Tickets issued from Rome. Also issue vouchers for preferred hotels.	Centralized travel processes and regulations set by Rome for the FAO globally. IOTC adheres to these processes.

## Attachment xx

### Appendix II

#### Extract of Report of the 95th Session of the Committee on Constitutional and Legal Matters (Rome, 8 - 11 October 2012)

#### VI. Review of Article XIV Statutory Bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO

15. The CCLM examined document CCLM 95/12 “*Review of Article XIV statutory bodies with a view to allowing them to exercise greater financial and administrative authority while remaining within the framework of FAO*”. The CCLM acknowledged that the matter was complex, insofar as bodies established by treaty under Article XIV of the Constitution were different depending on their constituent instruments. The CCLM noted that document CCLM 95/12 had been prepared in response to IPA Action 2.69 and was based on an earlier document reviewed by the CCLM in 2009 and by the Council in October 2009. The CCLM regretted that proposals made at the time were not implemented.

16. The CCLM agreed that it was essential to identify bodies established under Article XIV of the Constitution which would benefit from the facilities foreseen in the document. Eventually, the CCLM noted the views of the secretariat that it could be counterproductive to establish an exhaustive list of these bodies and that these should be identified on the basis of criteria such as their funding mechanisms, their functional needs and legal authority as defined in the constituent instruments, the conditions of appointment of their secretaries and their accountability to the bodies in question.

Examples of these bodies are the Indian Ocean Tuna Commission, the General Fisheries Commission for the Mediterranean and the International Treaty on Plant Genetic Resources for Food and Agriculture.

17. As a general guiding principle, the CCLM held the view that increased delegation of authority to bodies under Article XIV of the Constitution could be considered provided that the secretariats of those bodies be adequately staffed and appropriate oversight mechanisms by the Organization be in place. The CCLM recommended that a review be undertaken by the secretariat to examine and determine, in consultation with the secretariat of bodies, whether the above conditions (adequacy of staffing and appropriate oversight mechanisms) are in place.

18. As regards external relations of bodies under Article XIV of the Constitution, the CCLM was of the view that secretaries of bodies referred to in paragraph 16 should travel on business in accordance with the statutory body work programme and allocated budget.

19. As regards conclusion of arrangements with other organizations, the CCLM noted that a procedure approved by the FAO Council in 2004 had been operating satisfactorily and seemed to respond to the needs of bodies under Article XIV of the Constitution, while allowing for coherence between the activities of those bodies and those of FAO.

20. On budgetary, financial and audit issues, the CCLM considered that these matters should be examined by the Finance Committee. The CCLM noted that the Finance Committee should comment on the issue of project servicing costs. As regards requests for “third party audits”, the CCLM noted that these were not possible under the Basic Texts of the Organization. However, it was possible for the Finance Committee to request the External Auditor of FAO to perform certain specific examinations under Financial Regulation 12.6, provided that costs be covered by the body in question.

21. As regards human resources matters, the CCLM noted that these were mainly within the purview of the Finance Committee and could be addressed through Management action. The CCLM underlined that it was essential to make adjustments to Performance Evaluation Management System (PEMS), insofar as some secretaries were directly under the operational authority of Article XIV bodies and not of FAO. Hence, performance assessments of secretaries of such bodies should on technical and operational matters be done by the membership of their governing bodies.

22. As regards channels of communication with Governments and official correspondence, the CCLM noted an earlier proposal that the Correspondence Manual be adjusted to reflect the particular

FC 148/21 situation of bodies under Article XIV of the Constitution, but this had not been done. The CCLM requested that this proposal be implemented.

23. As regards relations with donors, the CCLM noted the proposal that facilities regarding resource mobilization be given to secretaries of bodies under Article XIV of the Constitution, subject to a need for overall coherence in resource mobilization activities of FAO. The CCLM also stressed that in some cases the secretariats were under a legal obligation to implement funding strategies flowing directly from the constituent instruments or from decisions of the bodies and, therefore, had to maintain direct relations with donors.

24. As regards the organization of meetings, including the conclusion of Memoranda of Responsibilities regarding such meetings, insofar as these involved issues related to the universal status of FAO and privileges and immunities they should continue to be concluded by or on behalf the Director-General.

25. As regards the servicing of meetings, including possible outsourcing of some activities such as translation, the CCLM noted that the matter was mainly within the purview of the Finance or Programme Committee and that there was, in any case, a need for quality control by FAO. The CCLM did not agree with the recommendation that, in order to reduce costs, some meetings be held in a limited number of languages.

26. As regards the issue of participation by non-governmental organizations (NGOs) and other stakeholders in meetings of FAO, including meetings of statutory bodies, the CCLM recommended that the current flexible, pragmatic practice continue. The CCLM agreed that, for the time being, no general rules on NGO participation applicable to all meetings of the Organization should be established in view of the differentiated nature of NGOs and stakeholders, the currently evolving situation, the different needs and status of the meetings of the Organization, as well as potential lack of consensus on the matter among the membership. In this particular regard, the CCLM observed that it would be difficult to extend to other bodies of the Organization the regime currently applied to the Committee on World Food Security.

27. As regards the issue of the reporting relationship with the main bodies of FAO, the CCLM considered that in view of the specific legal status of each body under Article XIV of the Constitution, the scope and purpose of reporting should be primarily defined by each body taking into account as appropriate the views of the Organization. The CCLM considered that in some cases, reporting to the Conference is justified.

28. The CCLM noted that the review set out in document CCLM 95/12 would be referred to the forthcoming sessions of the Programme and Finance Committee and requested that its deliberations be made available to these Committees.

July 2004



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
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pour  
l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

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## FINANCE COMMITTEE

### Hundred and eighth Session

27 September – 1 October 2004

### Cost Analysis of Staff Remuneration and Benefits

#### I. Executive Summary

1. The purpose of this paper is to respond to the Committee's request at its 107<sup>th</sup> session<sup>1/</sup> for details on the financial aspects of staff emoluments including, in addition to salaries, all the other benefits. The document provides descriptions of the various elements of remuneration and benefits and a summary table of the related actual costs for the Regular Programme.

#### *Draft Decision*

2. The Committee took note of the information provided in document FC 108/11(b) regarding the costs of staff remuneration and benefits.

#### II. Background

3. At its 107<sup>th</sup> session, in the context of its discussion of document FC 107/14, *Adjustments to the Programme of Work and Budget 2004-05*, the Finance Committee requested that details on the financial aspects of staff emoluments including, in addition to salaries, all the other benefits be submitted for review at its next session. This document responds to this request.

#### III. Salaries, Benefits and Allowances

4. Following is a description of the various benefits and allowances granted, in addition to salaries, to internationally and locally recruited staff. Most of these benefits and allowances are those provided within the UN common system and have been reviewed by the International Civil Service Commission (ICSC) and approved by the UN General Assembly. A few of them are

<sup>1/</sup> CL 127/14, para. 67

granted to the staff in the general service category to reflect the local prevailing conditions of service in accordance with the methodology approved by the ICSC (Flemming Principle).

5. The 2002-2003 actual cost of each item for the Regular Programme has been provided in the Table I.

#### **IV. The Professional and Higher Categories.**

##### **A. BASE/FLOOR SALARY AND POST ADJUSTMENT**

6. The remuneration of staff in the professional and higher categories consists of two main elements: the base/floor salary and the post adjustment, both expressed in US dollars.

7. The salaries for professional staff are set by reference to the highest-paying national civil service (the Noblemaire principle), as determined by the International Civil Service Commission. The federal civil service of the United States of America has to date been taken as the highest paid national civil service.

8. The post adjustment system is designed to ensure that professional salaries have the same purchasing power at all duty stations. As the cost-of-living varies between duty stations, the post adjustment added to professional salaries is set at different levels to compensate for differences in living costs. Post adjustment classifications specify the number of multiplier points of post adjustment to be paid in addition to the net base salary at any duty station. One multiplier point is equal to 1 per cent of the net base salary.

##### **B. DEPENDENCY BENEFITS**

9. Dependency benefits are provided in the form of higher net salaries and allowances for staff with dependants (dependency or "D" rate) than for those without dependants (single or "S" rate) and by flat-rate allowances for children and secondary dependants. A staff member receiving the higher dependency rate salary will consequently also receive a higher post adjustment, mobility and hardship allowance, assignment grant and separations payments. There is no dependent spouse allowance for professional staff.

###### *Child allowance*

10. Child allowances are available to eligible staff in the form of a flat amount. To qualify as a dependant, a child must be under the age 18, or, if in full-time attendance at a school or university, be under 21 years of age. Professional staff who have dependent children but no dependent spouse, qualify for the dependency rate of net salary and allowances in respect of the first dependent child. In that case, the allowance is not paid for the first child. The allowance for a disabled child is twice the usual amount.

###### *Secondary dependent allowance*

11. Where there is no recognized primary dependant, a secondary dependant's allowance may be payable for a dependent parent, brother or sister, for whom the staff member provides at least one-third of the dependant's total income. A staff member may not concurrently receive more than one secondary dependant's allowance.

##### **C. OTHER BENEFITS AND ALLOWANCES**

###### *Rental subsidy*

12. A rental subsidy may be paid when a staff member's rent exceeds a so-called threshold rental. At field duty stations the rental subsidy is 80 per cent of the excess of the staff member's actual rent over the threshold amount. At headquarters duty stations, the subsidy is payable to newcomers only and starts at 80 per cent of the difference for the first four years, and is reduced to 60 per cent, 40 per cent and 20 per cent for the next three years, after which it is discontinued. The maximum subsidy payable is 40 per cent of the rent.

*Education grant*

13. An education grant is available to internationally-recruited staff members serving outside their home country. The grant is payable up to the end of the fourth year of post-secondary studies or the award of a recognized first level degree, subject to a maximum age limit of 25 years. The amount of the grant is equivalent to 75 per cent of certain allowable costs, subject to the maximum established amounts. For disabled children the grant is equivalent to 100 per cent of allowable costs.

*Special post allowance*

14. Staff members may be assigned for a substantial period of time to perform the full range of duties and responsibilities of a higher level post. Such staff may be granted a "special post allowance" which is equal to the difference between the current pay of the staff member and that which would be applicable on promotion to the higher grade. This allowance is temporary and non-pensionable.

*Representation allowance*

15. This allowance is established for the Director-General by the Conference and is established by the Council for staff members at the Deputy Director-General and Assistant Director-General levels.

*Evacuation allowance*

16. The evacuation allowance is granted to eligible staff who are evacuated from the duty station of assignment due to emergency situations as recognized and declared by the United Nations Security Coordinator.

*Security costs*

17. Staff members assigned to field duty stations may be eligible for reimbursement of security costs (e.g. security bars or residential guards) due to the inherent security situation in the country.

*Other staff salaries and allowances*

18. This includes other entitlements of a special and/or temporary nature due to specific local conditions, such as hazard pay.

**D. ENTITLEMENTS RELATED TO TRAVEL, RELOCATION AND MOBILITY OF STAFF***Assignment grant*

19. An assignment grant is paid to a staff member travelling at the Organization's expense on recruitment or transfer/reassignment for a period of service expected to be of at least one year. The assignment grant consists of a daily subsistence allowance (DSA) portion (30 days' DSA) and a lump sum portion (consisting of one or two months of net remuneration depending on the duration of the assignment and the classification of the assigned duty station).

*Mobility and Hardship allowance*

20. The mobility and hardship allowance is designed to encourage mobility between duty stations and to compensate for service at difficult locations. The allowance is not pensionable and is based on net salary at P-4, step VI (D). The amount of this allowance is calculated according to a matrix which combines the classification of the assigned duty station (by level of difficulty in terms of living conditions) and number of assignments of the staff member concerned.

*Other entitlement travel*

21. This includes authorized travel expenses of a staff member, including the travel expenses of eligible family members (spouse and dependent children), on: initial appointment; change of duty station; home leave or separation from service (e.g. removal and shipment costs). Also included are expenses incurred by the staff member on family visit travel and by a dependent child on education grant travel.

**E. SOCIAL SECURITY**

*Health insurance*

22. A Basic Medical Insurance Plan (BMIP) is provided by the Organization. The plan coverage is compulsory for all staff members wherever located, who hold a fixed-term or a continuing appointment. The coverage is extended to dependent family members as well. The contributions to the plan are shared equally between the staff member and the Organization, except that where the monthly contribution would represent more than 5% of the staff member gross salary. The amount actually charged to the staff member shall be 5% of gross salary, and the Organization's share is increased accordingly.

*After service medical coverage (ASMC)*

23. The scheme applies to retired staff members and their family members provided that they have been participating in BMIP at the time of the staff member's separation and have been participants in BMIP for at least 10 years. Contributions are shared equally between the Organization and the participant, whose contribution, however, should not exceed 4% of the full benefit from the United Nations Joint Staff Pension Fund.

*Pension Plan*

24. The United Nations Joint Pension Fund (UNJSPF) provides retirement, disability and survivors' benefits for the staff of organizations that are members of the Fund. The current rate of contributions to the Fund is 23.7 % of pensionable remuneration, with two thirds paid by the Organization and one third by the staff member.

*Compensation plan*

25. A Compensation Plan Reserve Fund is established to cover compensation for death, injury or illness attributable to the performance of official duties. The fund is fully maintained by the Organization.

**F. END OF SERVICE PAYMENTS<sup>2/</sup>**

*Repatriation grant*

26. A repatriation grant is payable on separation to internationally recruited staff in respect of the period of services outside their home country. The amount of the grant is calculated by reference to the net salary of the staff member concerned, the length of service and the family status.

*Termination indemnity*

27. A termination indemnity is paid to a staff member whose appointment has been terminated by the Organization for abolition of post or reduction of staff; poor health or incapacitation for further service; unsatisfactory service and agreed termination.

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<sup>2/</sup> Entitlements listed under this item, although described separately, are costed through an actuarial evaluation and, therefore, accounted as a total cost in the annexed table.

*Commutation of accrued annual leave*

28. If staff members have annual leave that they have not been able to use for reasons of service, it may be converted into a cash amount at the moment of separation. The maximum amount of leave that may be commuted in this way is 60 days.

## **V. The General Service Category**

### **A. BASE SALARY**

29. The salary of staff in the general service category is established with reference to the best prevailing local conditions (the Flemming principle) through a comprehensive salary survey that is conducted locally by the International Civil Service Commission (ICSC) with regard to headquarters duty stations, and by the leading UN agency with regard to other duty stations. Normally the salary scales are expressed and paid in local currency.

### **B. DEPENDENCY BENEFITS**

#### *Child allowance*

30. A child allowance is provided as a social benefit and is paid as a flat amount equivalent to 2.5 per cent of the mid-point of the local salary scale. The allowance may be paid for up to a maximum of six children. The benefit for a disabled child is twice the normal amount.

#### *Spouse allowance*

31. An allowance for a dependent spouse is paid in accordance with the local practice. A dependent spouse is a spouse whose occupational earning does not exceed the gross salary of the general service salary scale applicable to the G-1 step I.

#### *Secondary dependent allowance*

32. A secondary dependent allowance is paid in accordance with local conditions to a recognized secondary dependent (father, mother, brother or sister).

### **C. OTHER BENEFITS AND ALLOWANCES**

#### *Language allowances*

33. A language allowance is paid to general service staff who are proficient in two official languages and who have passed a language proficiency examination. The language allowance is pensionable and is established at a flat rate for each duty station. An allowance is also payable for a third language and is half that amount, also pensionable.

#### *Night differential*

34. A non-pensionable differential is paid to staff who are assigned to work at night from 20:00 to 06:00 hours. The night differential at Headquarters is calculated at 30% of the hourly rate at step VII of the grade for staff members holding G-1 through G-6 grades and at step VI for staff holding the G-7 grade. At duty stations other than Headquarters, it is calculated on the basis of the practice observed by UN organizations at the duty station.

#### *Service differential*

35. The service differential is paid to staff who are assigned to regularly-scheduled tours of duty exceeding the total hours of work of the established work week. The service differential is pensionable. No differential is payable for work for which overtime payment is made.

#### *Special post allowance*

36. Staff members may be assigned for a substantial period of time to perform the full range of duties and responsibilities of a higher level post. Such staff may be granted a "special post al-

lowance” which is equal to the difference between the current pay of the staff member and that which would be applicable on promotion to the higher grade. This allowance is temporary and non-pensionable.

*Non-resident allowance*

37. In accordance with a decision adopted by the FAO Council at its Sixty-Fourth Session, this allowance is paid to those staff members in the general service category who were recognized as a non-local staff member as at 31 January 1975. There are now only 26 such staff members as at that time the Council decided that henceforth all general service staff members would be considered as locally recruited. The non-resident allowance is pensionable.

*Education grant*

38. An education grant is available to those general service staff who were recognized as a non-local staff member (see para. 37 above). The grant is payable up to the end of the fourth year of post-secondary studies or the award of a recognized first level degree, subject to a maximum age limit of 25 years. The amount of the grant is equivalent to 75 per cent of allowable costs, subject to the maximum established amounts. For disabled children the grant is equivalent to 100 per cent of allowable costs.

*Other staff salaries and allowances*

39. This includes other entitlements of a special and/or temporary nature, due to specific local conditions, such as hazard pay and salary bonus. These payments are decided at common system level and normally are not pensionable.

**D. ENTITLEMENT RELATED TO TRAVEL**

40. It includes authorized travel expenses of a non-local staff member (see para. 37) including the travel expenses of eligible family members (spouse and dependent children) on: home leave or separation from service (e.g. removal and shipment costs). Expenses incurred by a dependent child on education grant travel are also included.

**E. SOCIAL SECURITY**

*Health Insurance*

*After service medical coverage*

*Pension plan*

*Compensation Plan*

41. These benefits are provided by the Organization to staff in the general service category under the same conditions as for professional staff (see paras 22-25 above).

**F. END OF SERVICE PAYMENTS<sup>3/</sup>**

*Commutation of accrued annual leave*

*Termination indemnity*

42. These benefits are provided by the Organization to staff in the general service category under the same conditions as for professional staff (see paras 27 - 28 above).

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<sup>3/</sup> Entitlements listed under this item, although described separately, are costed through an actuarial evaluation and, therefore, accounted as a total cost in the annexed table, except for the separation payment scheme.

### *Repatriation grant*

43. This payment is available to general service staff members who were recognized as a non-local staff member (see para. 37 above) on the same basis as for professional staff.

### *Separation payment scheme*

44. Within the UN common system, the terms and conditions of staff in the general service category are established to reflect the best prevailing local employment conditions (the Flemming principle). In conformity with this principle, FAO has for many years reflected the separation payment scheme that Italian labour legislation requires local employers to provide.

45. Prior to 1975, the value of such schemes was quantified and included as an element in the determination of the base salary. Effective 1 January 1975 FAO decided to replicate the outside practice within the Organization and established the separation payments scheme. At that time a non-pensionable amount corresponding to one month's salary (8.33%) was separated from base salary and set aside under the Separation Payment Scheme. In January 1991, the monthly percentage was revised to 7.41% to reflect a change in local conditions.

46. As the scheme reflects the practice in Italy, it applies only to staff members in the general service category whose salaries are based on the Headquarters salary scale. Such staff members receive a payment on separation from the Organization for any reason, or on promotion to the professional category. This payment is calculated as net base annual salary in force at the time of separation divided by 13.5 and multiplied by the number of completed years of service rendered between 1 January 1991 and the date of separation. Where applicable, an additional amount is calculated as the net base annual salary in force at the time of separation divided by 12 and multiplied by the number of completed years of service rendered between 1 January 1975 and 31 December 1990.

## **VI. Leave**

47. In addition to the above listed benefits and allowances, all staff members are entitled to periods of leave as indicated below. During the leave periods, staff members continue to be paid the same salary, benefits and allowances.

### *Annual leave*

48. Staff members accrue annual leave while in full pay status at the rate of two and one-half working days per month.

### *Sick leave*

49. Sick leave is granted to staff members unable to work due to illness or injury. The duration of sick leave depends on the staff member's length of service and may be up to a maximum of eighteen months (nine months at full pay, nine months at half pay) in any four consecutive years.

### *Maternity leave*

50. Leave with full pay is granted to staff for maternity purposes. Normally it commences six weeks prior to the anticipated date of delivery and extends for a total period of 16 weeks.

Table 1

**Staff Remunerations and Benefits****Actual Costs in 2002-2003**

Posting Account Description	2002/2003 (US\$)
<b>Professional and higher categories</b>	
Base/floor salary and post adjustment	
Base Salary	176 090 850
Post Adjustment	31 133 052
Dependency benefits	
Child Allowance	4 224 463
Secondary Dependent Allowance	73 812
Other benefits and allowances	
Rental Subsidy	2 291 117
Education Grant	15 552 789
Special Post Allowance	38 759
Representation Allowance	465 209
Evacuation Allowance	452 698
Security Costs	639 472
Other Staff Salary and Allowances	492 228
Entitlements relating to travel relocation and mobility of staff	
Assignment Grant	4 320 481
Mobility & Hardship Allowance	5 509 756
Other Entitlement Travel	13 551 143
Social security	
Basic Medical Insurance Plan	5 254 527
After Service Medical Coverage	6 244 685
Pension Plan	49 060 651
Compensation Plan	486 570
End of Service Payments	
Repatriation Grant/Termination indemnity/Commutation of accrued annual leave	5 862 311
<b>Professional Total</b>	<b>321 744 574</b>
<b>General Service Category</b>	
Base salary	
Base Salary	105 002 211
Dependency benefits	
Child Allowance	2 491 944
Spouse Allowance	667 509
Secondary Dependent Allowance	64 230

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Other benefits and allowances	
Language Allowances	2 076 686
Night Differential	197 082
Service Differential	1 015 055
Special Post Allowance	13 952
Non-Resident Allowance and Rental Subsidy	10 500
Education Grant	425 776
Other Staff Salary and Allowances	281 587
Entitlement related to travel	
Entitlement Travel	231 879
Social security	
Basic Medical Insurance Plan	10 135 087
After Service Medical Coverage	2 579 196
Pension Plan	20 811 953
Compensation Plan	207 992
End of Service Payments	
Commutation of Accrued Annual Leave/Termination Indemnity/Repatriation Grant	2 505 273
Separation Payment Scheme	4 634 212
	<b>General Service Total</b>
	152 896 102
<b>Total Costs</b>	<b>474 620 946</b>

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25 September 2014 / 25 septembre 2014

## IOTC CIRCULAR 2014-85 / CIRCULAIRE CTOI 2014-85

Dear Sir/Madam,

**SUBJECT: CIRCULAR 2014-85 - CONCERNING COMMUNICATION FROM THE FAO ON ICRU**

Please find enclosed a communication from the Food and Agriculture Organization of the United Nations (FAO) concerning the Increased Cost Recovery Uplift (ICRU) in response to my letter to the Director-General, dated 18 July 2014.

To recap, please note that within the 2014 Programme of Work and Budget, IOTC budgeted USD 124,000 under the ICRU account line. According to the letter from the FAO, ICRU will still be applicable to the Commission, although reduced to 1.5% for security (originally 4.8%) and remaining 1.4% for information technology (originally 1.4%). This translates to an expected savings of USD 62,646 in 2014, which will be used for the Meeting Participation Fund. Please note that this amount is insufficient to cover the six upcoming meetings requiring MPF funding (WPB, WPEB, WPTT, WPM, WPDS and the SC), which would cost in excess of USD 100,000 USD. The Secretariat must prioritise MPF funding for these upcoming meetings.

I am of the opinion that the cost of information technology and the use of the global resource management system is already covered by the 4.5% project servicing cost levied on the project. In addition, the reference of a new cost recovery framework becoming effective in 2016 is of particular concern and requires more explanation and an engagement with the Commission before being imposed. We cannot accept an increasing FAO administration cost to this organization and, in this regard, we need to continue the discussion with the FAO to eliminate ICRU costs and any additional cost recoveries altogether.

I kindly request your urgent consideration of this matter so that we can respond to FAO as soon as possible.

Madame/Monsieur,

**SUJET: CIRCULAIRE 2014-85 CONCERNANT LA COMMUNICATION DE LA FAO SUR L'ICRU**

Veillez trouver ci-jointe une communication de l'Organisation des Nations Unies pour l'alimentation et l'agriculture (FAO) concernant l'amélioration du recouvrement des coûts (ICRU) en réponse à ma lettre au Directeur-général, datée du 18 juillet 2014.

En résumé, veuillez noter que, dans le Programme de travail et budget pour 2014, la CTOI a budgétisé 124 000 USD dans la ligne ICRU. Selon la lettre de la FAO, l'ICRU serait toujours applicable à la Commission, bien que réduit à 1,5% pour la composante sécurité (originellement 4,8%) mais restant à 1,4% pour la composante informatique. Cela se traduit par une économie induite de 62 646 USD en 2014, qui sera utilisée pour financer le Fonds de participation aux réunions. Veuillez noter que cette somme ne permet pas de couvrir les 6 réunions éligibles au FPR (GTTP, GTEPA, Distribution / Destinataires

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**Chairperson IOTC / Président de la CTOI**

**Cooperating Non-Contracting Parties/ Parties coopérantes non-contractantes:** Djibouti, Senegal/Sénégal, South Africa/Afrique du Sud.

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GTTT, GTM, GTCDS et CS), ce qui exigerait plus de 100 000 USD. Le Secrétariat doit donc prioriser le financement par le FPR de ces réunions.

Je pense que les coûts liés à l'informatique et à l'utilisation du système global de gestion des ressources est déjà couvert par les 4,5% de frais de gestion de projet prélevés sur le projet. Par ailleurs, la mention d'un nouveau cadre de recouvrement des coûts qui entrera en vigueur en 2016 est particulièrement préoccupante et exige de plus amples explications, ainsi qu'une discussion avec la Commission avant d'être mis en œuvre. Nous ne pouvons pas accepter une augmentation des coûts de gestion de la FAO pour notre organisation et, à ce titre, nous devons poursuivre la discussion avec la FAO afin d'éliminer totalement les coûts induits par l'ICRU et toute autre forme de coûts de recouvrement.

Je vous demande de bien vouloir examiner cette question dans les meilleurs délais afin que nous puissions répondre à la FAO dès que possible.

Yours sincerely / Cordialement



Daroomalingum Mauree  
Chair /President

**Attachments / Pièces jointes:**

- Letter from FAO/Lettre de la FAO

Distribution / Destinataires

**IOTC Members/ Membres de la CTOI:** Australia/Australie, Belize, China/Chine, Comoros/Comores, Eritrea/Erythrée, European Union/Union européenne, France (Territories/DOM-TOM), Guinea/Guinée, India/Inde, Indonesia/Indonésie, Iran (Islamic Rep of/Rép. islamique d'), Japan/Japon, Kenya, Rep. of Korea/Rép. de Corée, Madagascar, Malaysia/Malaisie, Maldives, Mauritius/Ile Maurice, Mozambique, Oman, Pakistan, Philippines, Seychelles, Sierra Leone, Somalia/Somalie, Sri Lanka, Sudan/Soudan, United Rep. of Tanzania/Rép.-Unie de Tanzanie, Thailand/Thaïlande, United Kingdom/Royaume-Uni, Vanuatu, Yemen/Yémen.

**Chairperson IOTC / Président de la CTOI**

**Cooperating Non-Contracting Parties/ Parties coopérantes non-contractantes:** Djibouti, Senegal/Sénégal, South Africa/Afrique du Sud.

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Our Ref: ODG/14/G."od

Your Ref.:

1tIX.2014

Dear Mr Daroomalingum,

I refer to your letter of 18 July 2014 to the Director-General concerning the outcome of the 13th Session of the India Ocean Tuna Commission (IOTC) held from 1 to 5 June 2014 in Colombo, Sri Lanka, and your request for a waiver of the Increased Cost Recovery Uplift (ICRU) on the funds held in trust by FAO for the functioning of the secretariat of the IOTC.

As you are aware, in 2011 the FAO Conference was concerned about FAO's persistent under-recovery of the costs of administrative and operational support for funds held in trust by the Organization. The Conference urged the Director-General to vigorously pursue improving cost recovery, including in areas such as country-level costs, security, and information systems and technology, and to develop new mechanisms building on the experience of other UN agencies. Therefore, ICRU was developed and approved by the FAO Council in December 2011 for phased implementation by 2014. The final phase was the application of ICRU to funds held in trust for work taking place outside of FAO headquarters from 1 January 2014, including the funds administered for IOTC Secretariat in the Seychelles.

FAO takes seriously its responsibility to make the most effective and efficient use of the resources put at the disposal of FAO, while implementing the decisions of the FAO Conference, which includes all countries that are members of the IOTC. In this regard, FAO is undertaking a review of its cost recovery policy during 2013-14 with the aim to put in place a fair and transparent framework for cost recovery, building on recent initiatives in the international development community including the UN system. It is expected that this new cost recovery framework will be effective from 2016, after due consideration by FAO members in the Governing Bodies.

In the meantime, in line with flexibility accorded by the present cost recovery policy, we have carefully reviewed the application of the ICRU to the IOTC funds held in trust by FAO in relation to the specific circumstances of the IOTC Secretariat. With regard to security, FAO had already taken note that the IOTC Headquarters Agreement contains a

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Mr Mauree Daroomalingum  
Chairperson  
Indian Ocean Tuna Commission  
Victoria

general provision, which commits the Government of the Republic of Seychelles to 'take every appropriate measure to prevent an attack or damage to the premises, a disturbance of the peace, or a violation of the dignity of the premises of IOTC.' Under UN security requirements, this provision, however, is not exhaustive of all the security services required by the office location, which include Minimum Operating Security Standards (MOSS) and Minimum Operating Residential Security Standards (MORSS) compliance, and some services of the UNDSS, funded through ICRU contributions to the Security Revolving Fund.

Therefore, considering the services provided by the Government of the Republic of Seychelles, FAO had already exceptionally decided to apply the rate of field security uplift that applies to similar Secretariats with headquarters in Rome, that is 1.5 percent of personnel costs for the IOTC Secretariat trust fund (MTF /INT/661/MUL-TFAA97 AA97099), down from 4.8 percent that should apply to locations in the Africa Region.

With regard to IT costs, the IOTC secretariat benefits from FAO corporate IT services (email, enterprise resource management system) which cannot be provided by an on-site IT manager. With regard to office space, the ICRU component on space occupancy is not applied to IOTC funds in view of the agreement of the Government of the Republic of Seychelles to provide office space, which you have referenced.

I look forward to continued fruitful collaboration between IOTC and FAO. I wish to assure you that FAO is very much committed to facilitating the functioning of bodies such as IOTC which operate under the framework of the Organization and in accordance with the guidance, policies and procedures established by its Governing Bodies.

Yours sincerely,

Fernanda Gueiri  
Director-General/ Director of the Cabinet  
Office of the Director-General

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Notre référence : ODG/14/68

le 11 septembre 2014

Cher M. Daroomalingum,

Je vous écris en référence à votre courrier du 18 juillet 2014 au Directeur-général concernant les conclusions de la 18<sup>e</sup> session de la Commission des thons de l'océan Indien (CTOI) qui a eu lieu du 1<sup>er</sup> au 5 juin 2014 à Colombo (Sri Lanka) et votre requête de dispense de l'Amélioration du recouvrement des dépenses (ICRU) pour les fonds détenus par la FAO pour le fonctionnement du Secrétariat de la CTOI.

Comme vous le savez, en 2011, la Conférence de la FAO a exprimé sa préoccupation face au sous-recouvrement persistant des coûts administratifs et de fonctionnement liés aux fonds détenus en fiducie par l'Organisation. La Conférence a pressé le Directeur-général de s'atteler vigoureusement au recouvrement de ces coûts, y compris dans les domaines des frais dans les pays, de la sécurité et des systèmes et technologies de l'information, et d'élaborer de nouveaux mécanismes pour cela, en se basant sur l'expérience des autres agences des Nations Unies. Ainsi, l'ICRU a été élaboré et approuvé par le Conseil de la FAO en décembre 2011, pour une mise en œuvre progressive d'ici 2014. La phase finale a été l'application de l'ICRU aux fonds détenus en fiducie pour les activités ayant lieu en dehors du siège de la FAO à compter du 1<sup>er</sup> janvier 2014, ce qui concerne les fonds administrés pour le Secrétariat de la CTOI aux Seychelles.

La FAO considère avec sérieux sa tâche d'utiliser le plus efficacement possible les ressources à sa disposition, tout en appliquant les décisions de la Conférence de la FAO, qui inclut tous les pays membres de la CTOI. À ce titre, la FAO a entrepris un examen de sa politique de recouvrement des coûts en 2013-2014, en vue de mettre en place un cadre équitable et transparent pour le recouvrement des coûts, sur la base des récentes initiatives dans la communauté internationale du développement, dont fait partie le système des Nations Unies. Il est prévu que ce nouveau cadre de recouvrement des coûts sera effectif à partir de 2016, après examen par les membres de la FAO dans ses organes de gouvernance.

En attendant, et dans l'esprit de flexibilité prévu par la politique actuelle de recouvrement des coûts, nous avons étudié avec attention l'application de l'ICRU aux fonds de la FAO détenus en fiducie par la FAO, à la lumière de la situation particulière du Secrétariat de la CTOI. En ce qui concerne la sécurité, la FAO a déjà noté que l'Accord de siège de la CTOI contient une disposition générale qui engage le gouvernement de la République des Seychelles à « prendre les mesures appropriées pour prévenir toute attaque, tous dommages, toute perturbation ou toute violation de l'intégrité des locaux de la CTOI ». Dans le cadre des exigences de sécurité des Nations Unies, cette disposition ne couvre cependant pas la totalité des services de sécurité requis par la localisation des bureaux, y compris les Normes minimales de sécurité opérationnelle (MOSS) et les Normes minimales de sécurité résidentielle opérationnelle (MORSS), ainsi que certains services de l'UNDSS, financés par le biais de la contribution ICRU au Fond renouvelable pour la sécurité.

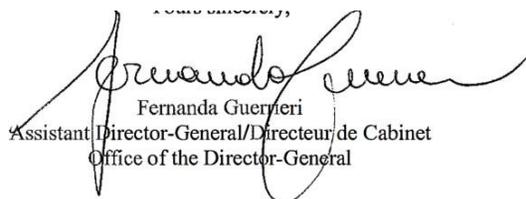
Ainsi, au regard des services fournis par le gouvernement de la République des Seychelles, la FAO a déjà décidé à titre exceptionnel d'appliquer un taux de recouvrement de la sécurité de terrain qui s'applique à des secrétariats similaires hébergés au siège, à Rome, soit 1,5% des coûts de personnel pour le fonds fiduciaire du Secrétariat de la CTOI (MTF/INT/661/MUL-TFAA97AA97099) au lieu des 4,8% qui devraient s'appliquer dans la région Afrique.

En ce qui concerne les coûts informatiques, le Secrétariat de la CTOI bénéficie de services informatiques de la FAO (courriel, système de gestion des ressources d'entreprise), qui ne peuvent être fournis par un responsable

informatique local. En ce qui concerne les locaux, la composante de l'ICRU sur l'occupation des locaux ne s'applique pas aux fonds de la CTOI, en raison de la mise à disposition de bureaux par le gouvernement de la République des Seychelles, comme précédemment mentionné.

En espérant la poursuite de la collaboration fructueuse entre la CTOI et la FAO, je voudrais vous assurer que la FAO est fermement engagée à faciliter le fonctionnement des organes tels que la CTOI, qui opèrent dans le cadre de l'Organisation, conformément aux avis, politiques et procédures établies par ses organes directeurs.

Cordialement,

  
Fernanda Guerrieri  
Assistant Director-General/Directeur de Cabinet  
Office of the Director-General



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## FINANCE COMMITTEE

**Hundred and Fifty-seventh Session**

**Rome, 9 - 13 March 2015**

**FAO Cost Recovery Policy**

Queries on the substantive content of this document may be addressed to:

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#### EXECUTIVE SUMMARY

- At its 154th session in May 2014 the Finance Committee endorsed the aim, assumptions and guiding principles for the development of a Comprehensive Financial Framework (CFF) cost recovery model, which would provide the basis for preparing a more transparent and equitable cost recovery policy that treated extra-budgetary resources as supporting FAO's programme of work in an integrated budget.
- At its 156th session in November 2014 the Finance Committee examined and endorsed a CFF cost recovery model proposed by the Secretariat based on full proportional cost recovery with attributable support costs, and the new categories of Direct Operational Costs (DOC), Direct Support Costs (DSC), and Indirect Support Costs (ISC).
- This document presents a draft FAO cost recovery policy, based on the CFF model of full proportional cost recovery, and an implementation plan and timeline including transition arrangements.

#### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to review and provide comments on the draft FAO cost recovery policy and implementation plan with a view to recommending their adoption to the Council.

#### Draft Advice

##### **The Finance Committee:**

- **Reviewed and provided its comments on the proposed new FAO cost recovery policy and implementation plan;**
- **Recommends endorsement by Council.**

## I. Introduction

1. At its 154th session in May 2014 the Finance Committee examined and welcomed the update on development of a Comprehensive Financial Framework (CFF) for cost recovery,<sup>1</sup> including the identification of FAO-specific financial, administrative and operational issues and recent developments within the United Nations (UN) system. The Committee endorsed the aim, assumptions and guiding principles for the development of a CFF cost recovery model, which would provide the basis for preparing a more transparent and equitable cost recovery policy that treated extra-budgetary resources as supporting FAO's programme of work in an integrated budget.
2. At its 156th session in November 2014 the Finance Committee examined and endorsed a CFF cost recovery model proposed by the Secretariat based on full proportional cost recovery with attributable support costs, and the new categories of Direct Operational Costs (DOC), Direct Support Costs (DSC), and Indirect Support Costs (ISC).<sup>2</sup>
3. As requested by the Finance Committee, this paper presents a draft FAO cost recovery policy based on the CFF model, which would replace the current FAO support cost policy, and an implementation plan and timeline including transition arrangements, for review and endorsement.

## II. Draft FAO Cost Recovery Policy

4. The draft FAO cost recovery policy based on the CFF model is provided in Annex 1. The policy defines the scope and principles, the new cost categories, the cost recovery modalities including criteria for implementation and guidelines for flexible application of the ISC rate, and monitoring and reporting requirements.

## III. Implementation plan and transition measures

5. As outlined in November 2014, the preparation of a detailed implementation plan will include four main elements:
  - a) Prepare clear guidelines for project budgeting of direct and indirect costs;
  - b) Design and execute an internal communication plan;
  - c) Inform and communicate with external resource partners on transition and implementation measures; and
  - d) Assess and address implementation issues, including through proposed adjustments to the policy if required.
6. The Secretariat has determined that full implementation of the new cost recovery policy will require some complex changes in budgeting and accounting processes and procedures. It is proposed to implement the new policy through transitional arrangements from 1 January 2016. The milestones leading to implementation and the transitional arrangements are set out in the table below.

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<sup>1</sup> FC 154/10

<sup>2</sup> FC 156/7, CL 150/4 paragraphs 17-18

Timeframe	Milestone
April-May 2015	1. Set up implementation team.
May-July 2015	2. Apply the new cost categorization to all FAO costs and to FAO ongoing projects, and analyse the results to provide insights and identify possible patterns of costs under the new categorization by type.
May-November 2015	3. Identify and address budgeting, accounting and financial reporting implications, and formulate functional requirements. 4. Develop budgeting and financial reporting guidelines for applying the policy.
October-May 2016	5. Update corporate systems (GRMS, FPMIS, PIREs) for budgeting, accounting and financial reporting.
November-January 2016	6. Develop and roll out internal training and communication campaign. 7. Inform main resource partners, including on transitional arrangements.
From January 2016	8. Start phased implementation with transitional arrangements. - All new projects in early formulation stage fully apply new policy; - Ongoing projects use current policy until end-date, unless partners agree to modify project budgets.

### *Annex I - Draft FAO Policy on full cost recovery*

#### *Scope and principles*

1. The scope of the FAO cost recovery policy is full proportional cost recovery from regular programme and extra-budgetary resources, under the FAO Programme of Work under an integrated budget, as encouraged by the UN General Assembly in resolution A/RES/67/226.
2. The policy will:
  - a) Support and strengthen FAO's ability to deliver on its mandate, using resources efficiently and supporting the relationship between FAO's normative and development work.
  - b) Align with the decentralization policies that enable decision-making and strengthen activities at the country level.
  - c) Be simple and provide for transparency, equitability and accountability that is financially and operationally reasonable.
  - d) Adopt those existing practices accepted by Member States, donors and governing bodies within the UN system that would support FAO's efforts in implementing its unique mandate.

#### *Definition of cost categories for cost recovery*

3. The FAO cost recovery policy makes use of a simplified cost structure with two types of direct costs (Direct Operational Cost and Direct Support Cost), and one type of indirect costs (Indirect Support Cost or ISC). Support costs can be direct (DSC) or indirect (ISC).
4. All the costs of delivering the programme of work under all source of funds are categorized into three cost categories:
  - a) DOC: Direct Operational Costs are any costs relating to specific inputs (other than direct support costs) required to deliver an activity. These are the costs, for example, that comprise project budgets (cost of project personnel, FAO technical support, consultants, travel, contracts, equipment, etc.)
  - b) DSC: Direct Support Costs are the costs of those services that can be attributed to supporting the provision of specific inputs acquired as direct operational costs. These costs include inter alia services for human resource management, finance, information technology, security, monitoring and evaluation. These costs relate to the support the Organization has to provide to deliver the specific inputs.
  - c) ISC: Indirect Support Costs are costs that support the execution of the delivery of activities, but cannot be directly associated to their implementation (e.g. policy, executive direction and management, governance and oversight).

#### *Cost Recovery modalities*

5. The cost recovery policy is based on full Direct Costs recovery, full proportional recovery with attributable Direct Support Costs and the application of an Indirect Support Cost percentage rate to voluntary contributions.

##### *a) Direct Operational and Support Costs*

6. All direct costs associated with programmes, projects or activities financed by voluntary contributions will be budgeted and recovered in full from projects.
7. All Direct Operational Costs required for the delivery of activities funded by voluntary contributions will be budgeted. FAO Technical Support is an integral part of Direct Operational Costs.

8. Direct Support Costs will be budgeted and recovered following a proportional application between sources of funding, based on relevant Direct Operational Costs budgeted in the project. Direct Support Costs are attributable to Direct Operational Costs.<sup>3</sup>

*b) The Indirect Support Cost Rate (ISC rate)*

9. Indirect Support Costs (ISC) are recovered through the application of a percentage rate.

10. The ISC rate is determined by applying the new cost categorization to the Programme of Work and Budget budgeted level of resources both for regular programme and extrabudgetary delivery, and by calculating the proportion of ISC costs against total direct costs.

11. The ISC rate has been calculated and set at 7%, assuming the current policy frameworks, resource levels financial and operational aspects remain relatively constant.

12. All projects are charged the ISC rate at 7%, with the flexibility as defined in next section.

*Flexibility in the application of the ISC rate*

13. Flexibility in applying the ISC rate where appropriate, for special circumstances, can be implemented as part of the FAO full cost recovery policy in the following cases:

- a) Rates established by inter-governmental bodies of the UN system organizations (including international financing institutions and funding mechanisms, e.g. GEF);
- b) Existing long terms trust fund accounts where specific support cost arrangements have been included in the statutes and funding agreements (e.g. Commissions, committees, conventions established under Article XIV or VI of the FAO Constitution);
- c) Extra-budgetary contributions with particular partnerships with cost-sharing or complementary support arrangements, e.g. South South Cooperation;
- d) New Operational Modalities (NOM) for national execution in whole or in part, and funds transfer as Administrative or Managing Agent (AA or MA);
- e) Complex arrangements or major changes in conditions of resource partnership relationship<sup>4</sup> for which the implications would have to be carefully monitored and analysed.

Are exempt from the application of the ISC rate those contributions for:

- f) Travel costs of participants from developing countries to conferences and consultations on matters within FAO's mandate;
- g) Refurbishment and improvement of FAO premises (both at Headquarters and in Regional and Sub Regional offices);
- h) Sponsorship funds in support of awareness raising and/or promotional events;
- i) Telefood Projects.

14. In case of significant changes in context and assumptions, in particular relative to adjustments to variable levels of operations, considering the unpredictability of voluntary contributions funding, the ISC rate would be adjusted.

*Monitoring and reporting requirements of the policy.*

15. The FAO cost recovery policy implementation will be monitored and reported annually to the Finance Committee.

16. The ISC rate will be reviewed every two years, to assess changes in context and assumptions. The review of the cases requiring some flexibility and the overall context of the application of the ISC

<sup>3</sup> Attributable means that costs relate to, but are not univocally traceable to, the specific Direct Operational Costs of the activities funded by voluntary contributions.

<sup>4</sup> Currently the EU is revising the terms and conditions for multilateral funding.

rate will be monitored by the Secretariat and arising adjustments reported to the attention of the Finance Committee.

17. The ISC rate and the DSC proportional recovery through attribution will replace the current three standard PSC rates and 15 special PSC rates under the current policy<sup>5</sup> and the ICRU, from 1 January 2016, taking into account transitional arrangements for existing projects.

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<sup>5</sup> See FC 156/7 Annex 3

October 2014

FC 156/7



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## FINANCE COMMITTEE

**Hundred and Fifty-sixth Session**

**Rome, 3 - 7 November 2014**

**Comprehensive Financial Framework for Cost Recovery - Update**

Queries on the substantive content of this document may be addressed to:

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### EXECUTIVE SUMMARY

- Following on the Finance Committee's endorsement of the cost recovery aims, assumptions and principles, this document presents the final concept of the comprehensive financial framework for cost recovery in terms of the cost recovery model, benefits and implementation considerations.
- The concept moves away from the costs categorization and incremental recovery principles that have been used in the current FAO Support Cost Policy to a proportional full cost recovery model where all costs of delivering the programme of work under all source funds are categorized into three cost categories: Direct Operational Costs; Direct Support Costs; and Indirect Support Costs.
- The concept provides for three main benefits: i) treats extrabudgetary resources as supporting delivery of the Programme of Work in the integrated budget, not as an incremental cost; ii) recognizes more decentralized operations, integration of development and emergency project operations, and more diverse funding sources; iii) through simplicity and transparency, aims to overcome perceptions of FAO partners, management and staff that the current policy and its implementation is complex and inequitable.
- *Direct Operational Costs* and *Direct Support Costs* would be budgeted under the Regular Programme and in all Extrabudgetary projects, following a proportional application. An *Indirect Support Costs (ISC)* rate would be calculated as a proportion (percentage) of total direct costs across all sources of funds (Regular Programme and Extrabudgetary). An ISC rate would be applied on all Extrabudgetary project budgets for recovery. The new model would therefore replace the 18 current PSC (project serving cost) rates and ICRU (Improved Cost Recovery Uplift).
- Based on a preliminary application of this cost categorization to the PWB 2014-15 (Regular Programme and Extrabudgetary) at the aggregate level, the overall average ISC recovery rate is estimated at 7%. There is need for flexibility in applying the ISC rate as recognized by the UNGA guidance to UN funds, programmes and agencies which called for a simple, transparent and harmonized methodology, providing incentives, including through differentiated cost recovery rates.
- The milestones and timeline is presented to develop and agree a new FAO cost recovery policy based on the new model, and to put in place transition and implementation measures.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee Committee is invited to comment and provide guidance on the new cost recovery model, benefits and implementation considerations.

#### Draft Advice

- **The Finance Committee:**
  - **endorses the new model based on proportional cost recovery with attributable support costs;**
  - **notes the estimated ISC rate of 7 per cent and emphasizes the need to consider flexibility in its application;**
  - **requests the Secretariat to prepare a new FAO cost recovery policy for consideration at its next regular session;**
  - **endorses the implementation milestones and requests the Secretariat to present an implementation plan with particular attention to transitional arrangements at its next regular session.**

## I. Introduction

1. At its 154th session in May 2014 the Finance Committee examined and welcomed the update on development of a comprehensive financial framework for cost recovery,<sup>1</sup> including the identification of FAO-specific financial, administrative and operational issues and recent developments within the United Nations (UN) system. The Committee endorsed in principle the aim, assumptions and principles of the initiative and looked forward to receiving the final concept and implementation considerations at its next regular session.

2. Since May 2014 the Secretariat has finalized the concept of the comprehensive financial framework for cost recovery in terms of the principles, recovery model, benefits and implementation considerations, as presented in this document for consideration by the Finance Committee. Section II provides an overview of the current FAO support cost policy and issues arising. Section III sets forth the new approach to cost recovery. Section IV describes the benefits and issues addressed, and Section IV provides implementation milestones and timeline.

## II. Overview of current FAO support cost policy and issues arising

3. Support cost mechanisms were established in UN organizations during the 1970's. They were based on the principle of sharing support costs among UN system organizations, and between United Nations system organizations and Member States, as an appropriate financial expression of partnership.

4. The current FAO support cost policy was developed in 1999 and endorsed by Council in 2000. The support cost policy has been updated four times and its implementation is reported annually to the Finance Committee and biennially in the Programme Implementation Report.<sup>2</sup> The current FAO support cost policy is provided in Annex 1 for reference.

5. The scope of the current FAO support cost policy is to recover necessary and inherent *variable indirect costs* associated with providing *administrative and operational support* (AOS) to projects, and the direct cost of *technical support services* (TSS). The current policy is based on the principles of:

- a) *incremental cost recovery*, which assumes that FAO's work is mainly financed by assessed contributions under the Regular Programme, where Regular Programme support to Extrabudgetary projects funded by voluntary contributions is considered as an incremental cost to be recovered;
- b) recovery of only half of *variable indirect costs*, as agreed among UN agencies in 1992 under the partnership principle.

6. The recovery rates of *variable indirect costs* adopted for AOS were based on the original standard rate of 13 percent approved by the UNDP governing body in 1980 and then adopted by almost all UN system organizations.<sup>3</sup> The UN Secretariat and most of the specialized agencies continue to apply this rate, with variations.

7. Under the current policy, support costs are categorized and recovered as follows (detailed definitions are provided in Annex 2):

- a) all *variable direct costs* (e.g. project personnel, technical support services, consultants, travel, equipment, supplies, information technology and security services) are charged directly to projects;

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<sup>1</sup> FC 154/10

<sup>2</sup> For example, FC 156/6 and C 2015/8 PIR 2012-13 paragraphs 383-393

<sup>3</sup> FC 151/8

- b) 50% of incremental *variable indirect costs*<sup>4</sup> are recovered through a *project servicing charge (PSC)* with a base rate of 13% and with variances for specific circumstances (see Annex 3);
  - c) *fixed costs* (direct and indirect) are entirely excluded from the current cost recovery policy (e.g. fixed costs of general management, general financial accounting, central HR function, auditing, central records, etc.) on account of the principle that only ‘incremental’ costs are recovered.
8. The Conference at its 37<sup>th</sup> session in June-July 2011 reaffirmed the policy of full cost recovery of administrative and operational support to extrabudgetary projects that had been approved by the Council in November 2000 and directed the Council to implement measures to improve such recoveries from extrabudgetary-funded activities, building on the experience of other UN Agencies. Based on the experience of the World Health Organization, the Secretariat developed and implemented in 2013 and 2014 the Improved Cost Recovery Uplift (ICRU) mechanism to recover costs that had been largely excluded from the cost recovery policy, specifically costs related to information technology, office space occupancy and security. Under ICRU, these costs are recovered as variable direct costs.
9. In recent years, the environment in which FAO operates has evolved to the extent that the current cost recovery model is straining to remain viable. The main changes in FAO’s operating environment that cannot be adequately addressed within the current support cost policy are:
- a) the integrated approach to programming and delivery and the higher level of Extrabudgetary resources compared to the Regular Programme (now 59%:41%), where support costs are no longer incremental to delivery of the approved Programme of Work;
  - b) more decentralized operations, integration of development and emergency project operations, and more diverse funding sources;
  - c) perceptions of FAO partners, management and staff that the current support cost policy and its implementation is complex and not equitable.

### III. New approach to cost recovery

10. The review of the current FAO support cost policy and development of a comprehensive financial framework for cost recovery has been carried out in the context of the developments and issues set out in Section II above and the December 2012 UN General Assembly Resolution A/RES/67/226 (emphasis added) in response to the Quadrennial Comprehensive Policy Review:

*“The General Assembly requests the executive boards of the United Nations funds and programmes, and encourages the governing bodies of the specialized agencies to adopt cost recovery frameworks by 2013, with a view to their full implementation in 2014, based on the guiding principle of full cost recovery, proportionally, from core and non-core resources, and a simple, transparent and harmonized methodology, providing incentives, including through differentiated cost recovery rates, and taking into account different volumes and nature of funds to increase core funding and more predictable, flexible and less earmarked non-core contributions that are aligned with the strategic plans adopted by the respective governing bodies.”*

#### 3.1. Principles

11. Taking account of issues encountered with the current FAO support cost policy and the guidance provided by the UNGA, the comprehensive financial framework for cost recovery was modelled around the following principles as endorsed by the Finance Committee at its 154<sup>th</sup> session:

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<sup>4</sup> Recruitment of human resources; procurement and formalization of contracts; preparation of budgets, monitoring of work plans, and control of expenditures; receipt, custody and disbursement of funds; project accounting; financial and other project reporting.

- a) Aim for full cost recovery, proportionally, from Regular Programme and Extrabudgetary resources in an integrated budget.
  - b) Support and strengthen FAO's ability to deliver on its mandate, using resources efficiently and supporting the relationship between FAO's normative and development work.
  - c) Align with the decentralization policies that enable decision-making and strengthen activities at the country level.
  - d) Be simple and provide for transparency, equitability and accountability that is financially and operationally reasonable.
  - e) Adopt those existing practices accepted by Member States, donors and governing bodies within the UN system that would support FAO's efforts in implementing its unique mandate.
12. The underlying assumption for the review is that policy frameworks, resource levels, financial and operational aspects of the Organization remain relatively constant.

### 3.2. The new model: proportional cost recovery with attributable support costs

13. The new model moves away from the costs categorization and incremental recovery principles that have been used in the current FAO support cost policy as described in Section II above.

#### *Definition of cost categories*

14. The comprehensive financial framework for cost recovery is based on a proportional full cost recovery model where all costs of delivering the programme of work under all source funds are categorized into three cost categories:

- a) DOC: *Direct Operational Costs* are any costs relating to specific inputs (other than direct support costs) required to deliver an activity. These are the costs, for example, that comprise project budgets (cost of project personnel, FAO technical support, consultants, travel, contracts, equipment, etc.)
  - b) DSC: *Direct Support Costs* are the costs of those services that can be attributed to supporting the provision of specific inputs acquired as direct operational costs. These costs include *inter alia* services for human resource management, finance, information technology, security, monitoring and evaluation. These costs relate to the support the Organization has to provide to deliver the specific inputs.
  - c) ISC: *Indirect Support Costs* are costs that support the execution of the delivery of activities, but cannot be directly associated to their implementation (e.g. policy, executive direction and management, governance and oversight).
15. The new model therefore a) considers all costs under all funding sources (Regular Programme as well as Extrabudgetary); b) moves away from the distinction of costs between *variable* and *fixed* and thus no longer considers Extrabudgetary resources as *incremental*; and c) moves away from the principle of *partnership* to full cost recovery).

16. In summary the new model uses a simplified cost structure with two types of *direct costs* (Direct Operational Cost and Direct Support Cost), and one type of *indirect costs*. Support costs can be direct (DSC) or indirect (ISC).

#### *Calculation and recovery of support costs*

17. The calculation of support costs would change compared with the current policy and would replace the present set of PSC rates and ICRU recoveries.
- a) Direct Support Costs would be identified through the application of the new cost categorization and then budgeted under the Regular Programme and in all Extrabudgetary projects, following a proportional application between sources of funding. The result would determine what would have to be budgeted and recovered from project budgets as direct costs, together with Direct Operational Costs.
  - b) Indirect Support Costs would be calculated as a proportion (percentage) of total direct costs (DOC and DSC) across all sources of funds (Regular Programme and

Extrabudgetary), rather than the existing model that is based on the identification of the incremental costs of Extrabudgetary contributions under the Regular Programme. An ISC rate would be calculated as a proportion (percentage) of total direct costs across all sources of funds (Regular Programme and Extrabudgetary) and would be applied as a percentage on all total Extrabudgetary project budgets for recovery.

18. Based on a preliminary application of the above cost categorization to the PWB 2014-15 budgeted level of resources (Regular programme and Extrabudgetary) at the aggregate level, the overall average ISC recovery rate is estimated at 7%. This ISC rate has been derived by classifying all estimated expenditure under all sources of funds into the three main cost categories, and the result is shown in Table 1.

**Table 1: Proportional cost recovery**

Type of Cost	FAO cost 2014-15 All sources of Funds (USD million)
a) Direct Operational and Support Costs	2,283
b) Indirect Support Costs	159
c) Grand Total (NAP 1,005+EB 1,437)	2,442
d) Estimated ISC proportional rate (b/a)	7 %

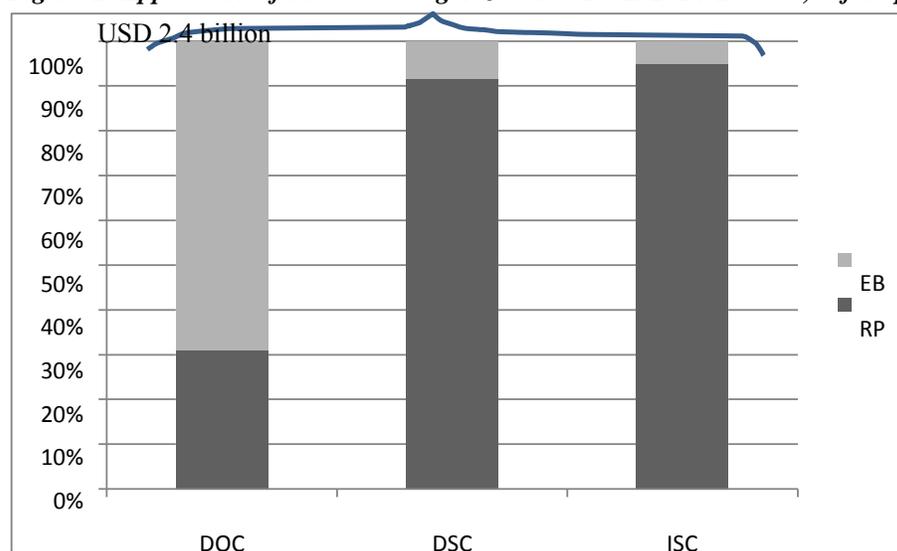
19. The ISC rate would replace the current three standard PSC rates and 15 special PSC rates under the current policy (see Annex 3). Most of the special rates would not be necessary under the new approach, as the 'discount' of costs they represent would be equivalent to what would be recovered through the standard ISC rate and direct costs (DSC and DOC) charged to the project. This would lead to convergence around the estimated 7% ISC rate, which is in line with the prevalent ISC rates being adopted by several UN funds and programmes with some room for flexibility (World Food Programme at 7%; UNDP, UNICEF, UNFPA, UN-Women<sup>5</sup> at 7% for core contributions, 8% for non-core contributions).

*Application of new cost categorization to PWB*

20. The application of this new cost categorization to the PWB 2014-15, before the application of the principle of proportionality across all sources of funding, is shown in Figure 1. Since the current cost recovery model recovers only 50% of variable indirect costs and none of the fixed costs from Extrabudgetary projects, a very high percentage of overall DSC and ISC are funded by the Regular Programme (RP) compared to Extrabudgetary (EB) funding, as show in Figure 1.

<sup>5</sup> UNW/2013/11 paragraphs 4, 5.a and 5.b

**Figure 1: Application of new cost categorization to PWB 2014-15 costs, before proportionality**



21. The new cost categorization corrects this imbalance under the principle of *full* cost recovery with *proportionality* in direct and indirect support costs attribution. The new model attributes support costs proportionally to both funding streams, driven by the weight of Direct Operational Costs as illustrated in Figure 2.

**Figure 2: Illustration of approach to proportional cost attribution**

	Regular Programme		Extrabudgetary	
Direct Support Costs	DSC Total X	DOC Regular Programme	DSC Total X	DOC Extrabudgetary
		DOC Total		DOC Total
Indirect Support Costs	ISC Total X	DOC Regular Programme	ISC Total X	DOC Extrabudgetary
		DOC Total		DOC Total

22. Direct Operational Costs therefore represent the driving element for apportioning direct and indirect support costs between funding sources. For example, if the new cost categorization is applied to the PWB 2014-15, the share of DOC Regular Programme is about 31% and the share of DOC Extrabudgetary is about 69%. This demonstrates that Extrabudgetary resources should be funding around 69% of overall DSC and ISC costs. The formula above would therefore provide the indicative elements and amounts that would have to be recovered from Extrabudgetary projects as DSC and ISC to ensure proportionality between Regular Programme and Extrabudgetary resources.

23. In summary, Direct Support Costs would be budgeted in the same manner as they are now. What would change is the attribution of the Direct Support Costs at aggregate level to each funding stream (Regular Programme and Extrabudgetary) based on each funding source’s proportional share of Direct Operational Costs. Indirect Support Costs would likewise be budgeted according to current practices in the PWB but attributed to each funding stream according to the proportional share of Direct Operational Costs. These support costs would then be attributed proportionally to Regular Programme and Extrabudgetary resources for recovery against Extrabudgetary projects. This

proportionality in cost recovery will help to rebalance the funding structure of FAO, so that no funding source will bear a disproportionate level of support costs.

24. The budgeting of Regular Programme and Extrabudgetary resources would not change. With regard to Extrabudgetary projects, the two direct cost categories would be budgeted and charged directly: the DOC category comprises costs that are generally already budgeted in practice; the DSC category comprises costs not currently budgeted in FAO projects in a coherent and consistent manner.

25. Careful project budgeting will be critical under the new cost recovery model, in order to capture all direct costs. Clear guidelines for project budgeting of direct costs - in particular direct support costs (DSC) will be required, to ensure transparency and equitability, as well as developing capacities to implement, through training and support, during project formulation and approval.

### **3.3. Need for flexibility in applying Indirect Support Cost rates – policy implications**

26. There is need for flexibility in applying the ISC rate as recognized by the UNGA guidance to UN funds, programmes and agencies, which called for a simple, transparent and harmonized methodology, providing incentives, including through differentiated cost recovery rates.

27. The current FAO support cost policy contemplates special rates such as a zero percent rate for contributions to cover the travel cost of participants from developing countries to conferences and consultations or contributions to extraordinary capital expenditures for premises.

28. Furthermore, flexibility is needed to be able to adjust to changes in the assumptions, in particular relative to possible needed adjustments to variable levels of operations, considering the unpredictability of Extrabudgetary contributions.

29. Some partners, such as the Global Environment Facility (GEF), have specific requirements for charging direct and indirect costs that will be further analysed.

## **IV. Benefits and issues addressed**

30. There are three main benefits to a proportional cost recovery model using direct operational costs, direct support costs, and indirect support costs categories. In summary, the new model:

- a) treats extrabudgetary resources as supporting delivery of the Programme of Work in the integrated budget, not as an incremental cost, thus helping to rebalance the funding structure of FAO, so that no funding source will bear a disproportionate level of support costs;
- b) recognizes more decentralized operations, integration of development and emergency project operations, and more diverse funding sources;
- c) through simplicity and transparency, aims to overcome perceptions of FAO partners, management and staff that the current policy and its implementation is complex and inequitable, and converging around a common project servicing charge rate for UN funds, programmes and agencies.

31. The table in Annex 4 provides an assessment on the degree to which the CFF model for proportional cost recovery addresses the issues that were identified during the review of the current cost recovery model, and that were reported in FC 154/10.

## V. Implementation milestones and timelines

32. The milestones and timeline to develop, agree and implement a new FAO cost recovery policy is presented in the Table 2. The preparation of a detailed implementation plan will include the following elements:

- a) Clear guidelines for project budgeting of direct costs - in particular *direct support costs*.
- b) Internal communication campaign, supported by communication and e-learning tools, and help desk.
- c) Inform and communicate with external resource partners on transition and implementation measures.
- d) In the initial stages of implementation, assess the extent to which the new approach has been understood and implemented and identify corrective action.

**Table 2: Implementation milestones and timeline**

<b>Dates</b>	<b>Milestones</b>	<b>Status</b>
<b>Aug- Dec 2013</b>	<b>Research</b> 1. Conduct research on history, recent developments, internal working modalities 2. Review history of FAO cost recovery 3. Consult with Finance Committee November	<b>Completed</b>
<b>Jan- May 2014</b>	<b>Concept</b> 1. Conduct internal consultations 2. Develop principles and concept for the Comprehensive Financial Framework concept 3. Update Finance Committee May	<b>Completed</b>
<b>Jun- Nov 2014</b>	<b>Develop Approach</b> 1. Finalize principles and Comprehensive Financial Framework model 2. Identify implementations considerations and modalities 3. Consultation and approval of new approach: Finance Committee November	<b>Ongoing</b>
<b>Nov 2014- March 2015</b>	<b>Formulate new support cost policy and implementation plan</b> 1. Develop policy 2. Prepare implementation plan, including transitional arrangements 3. <i>Consultation and approval of new policy: Finance Committee and Council</i>	<b>Next steps</b>
<b>April to Dec 2015</b>	<b>Implement</b> 1. Finalize and execute implementation plan 2. Phase in new policy and transitional arrangements	<b>Next steps</b>

### **ANNEX 1 - CURRENT FAO SUPPORT COSTS POLICY**

1. The scope of the current FAO support cost policy is to recover all variable indirect support costs associated with projects funded by voluntary contributions. These are mostly defined as administrative and operational services which are a necessary and inherent part of any project which the Organization agrees to execute, but which, because of their nature, cannot be readily or directly singled out for charging to the project itself.

2. More specifically, FAO has defined variable indirect support costs in MS 250 as follows:

*Administrative services may include such items as:*

- a) recruitment, briefing and servicing of project personnel;
- b) servicing of fellowships;
- c) procuring supplies and equipment, formalizing contracts;
- d) preparation of budgets and control of project expenditures;
- e) receipt, custody and disbursement of funds, maintenance of project accounts, financial reporting, external and internal audits, etc.;
- f) security monitoring.

*Operational services may include such items as:*

- a) assembling and submitting proposals to donors;
- b) negotiating agreements and plans of operation with project-sponsoring bodies and recipient governments;
- c) location and recommendation of qualified personnel;
- d) guidance and supervision of the implementation of projects;
- e) preparing, monitoring and revising work plans and budgets;
- f) reporting periodically on projects;
- g) fellowships placement and formulation of study plans;
- h) technical selection of equipment and technical preparation of contracts.

3. It is noted that all of these costs fall under the definition of variable indirect project support costs.

*Summary*

**Table A: Matrix of Activities by Funding Source and Type**

Funding Source	Technical Assistance (TA)		Emergency Assistance	Normative Programmes and Other RP Activities	
	National Funding	Donor Contributions	Donor Contributions	FAO RP Normative Activities inc. Commissions	Jointly Funded Activities
Extra-budgetary	13% ceiling (see text below for exceptions)	13% ceiling (see text below for exceptions)	10% ceiling	13% (see text below for exceptions)	As per MoU
Regular Programme	TCP and SPFS: ceiling of 7%		TCP 7% ceiling	FAO Regular Programme	FAO Regular Programme

4. The following notes apply these principles to the each of the categories of programme defined in Table A.

## EXTRA-BUDGETARY PROGRAMMES

### *Technical Assistance - Government Cost Sharing*

5. These are defined as technical assistance projects in the field which are funded by the Government of the recipient country, including those which are funded through loans from international financing institutions.
6. In principle, such projects should reimburse the variable indirect support costs associated with the project. Standard rates are not to exceed a ceiling rate (currently 13 percent) but can be lowered where appropriate for special circumstances:
- a) high proportions of contracts, supplies and equipment requiring minimal AOS costs (current Manual Section 250 provisions to continue to apply);
  - b) national execution in whole or in part;
  - c) inclusion of project support costs in the project budget as direct project costs;
  - d) other cost sharing or complementary support arrangements; and
  - e) exceptionally large projects when economies of scale apply.

### *Technical Assistance – Donor Contributions*

7. These are defined as technical assistance projects in the field which are funded by a third party other than FAO or the recipient Government.
8. In principle, such projects should reimburse the variable indirect support costs associated with the project. Standard rates are not to exceed a ceiling rate (currently 13 percent) but may be lowered where appropriate for special circumstances:
- a) rates established by inter-governmental bodies of the UN system organizations (including the international financial institutions);
  - b) high proportions of contracts, supplies and equipment requiring minimal AOS costs (current Manual Section 250 provisions to continue to apply);
  - c) Associate Professional Officers (APOs) which are charged a fixed rate of 12 percent;
  - d) inclusion of project support costs in the project budget as direct project costs; and
  - e) exceptionally large projects when economies of scale apply.

### *Emergency Assistance*

9. FAO emergency assistance is defined as a situation where an urgent and exceptional external response is needed in the agriculture sector to address the impact of a particular disaster, natural or man-made. If a project is characterized as an emergency, the request follows the "fast track" and is operationally treated as such. Generally, "prevention" and "preparedness" are not within the meaning of "emergency" for project operational purposes.
10. The ceiling rate for emergency assistance projects is 10 percent. Rates for emergency assistance are to be determined on a case-by-case basis to recover the full variable indirect support cost of the project. When Emergency Operations and Rehabilitation Division (TCE) operates technical assistance projects because of special situations, the reimbursement rates for technical assistance shall apply.

### *Regular Programme Normative Activities*

11. These are defined as voluntary contributions which directly support the implementation of Regular Programme activities. Such activities will generally be normative in nature and be implemented at Headquarters or at a Regional Office rather than directly in the field.
12. A standard PSC rate of 13 percent will apply.
13. Such rates can be lowered to reflect the impact of certain special circumstances:
- a) contributions to cover the travel cost of participants from developing countries to conferences and consultations on matters within FAO's mandate will be exempted from indirect support cost charges;

- b) sponsorship funds in support of awareness raising and/or promotional events will be used to cover the identifiable direct costs of these activities and as such, are not subject to project servicing costs;
- c) contributions to FAO for the refurbishment and improvement of FAO premises (both at Headquarters and in Regional and Subregional Offices) are exempt from PSC charges;
- d) Associate Professional Officers (APOs) which are charged a fixed rate of 12 percent; and
- e) long-term trust fund accounts (e.g. Commissions established under the auspices of FAO) will be subject to a case by case estimate of the actual level of variable indirect support costs and charged accordingly.

#### *Jointly Funded Activities*

14. These arrangements cover activities which are part of the Regular Programme and are usually normative in nature. They are defined as partnership arrangements between FAO and other inter-governmental organizations including, in particular, UN system organizations.

15. The special nature of these partnership arrangements will be recognized and translated into an agreement to share direct costs in a manner appropriate to the joint activity's contribution to the Strategic Objectives of the Organization. Variable indirect costs are generally to be funded by the host organization although recognition of this fact should generally be given in the Memorandum of Understanding and related cost sharing formulae.

16. It is noted that the FAO-GEF Agreement foresees a flat reimbursement fee of 10 percent for full size projects for support and supervisory costs. This arrangement is still being evaluated by FAO. GEF-funded PDF Block B projects that have become operational have been granted Project Support Servicing of 6 percent, which seems sufficient to fully recover variable indirect support costs.

### **REGULAR PROGRAMME**

#### *TCP and SPFS*

17. Regular Programme funded technical assistance (including emergencies) should, in principle, reimburse the variable indirect support costs incurred by "operating units" or their equivalent associated with the project (i.e. for operational services). This should be based on an average rate (currently 7 percent).

**ANNEX 2 - DEFINITION OF COSTS USED IN THE CURRENT FAO SUPPORT COST POLICY**

<b>Cost Accounting Term</b>	<b>Definitions</b>	<b>Examples of Services Provided</b>	<b>Means of Recovery in FAO</b>
Direct Costs	Costs that can be directly traced to a product or output.	Project personnel, equipment, premises, travel and any other input necessary to achieve the results and objectives set out in specific activities or projects.	Fully recoverable from extrabudgetary resources. To be directly included in project budget.
Indirect Costs	<p><b>Variable Indirect Costs</b></p> <p>Costs that are associated with the production of several outputs, but which are not traceable to individual outputs, and which tend to vary indirectly with the volume produced.</p>	Services provided by administrative and operational staff supporting specific activities or projects, which cannot be discretely identified.	Levy PSC as percentage charge against actual expenditures.
Fixed Indirect Costs	Costs that is not easily traceable to the production of a single output and which do not vary with the volume of output.	Costs of general management: senior management; general financial accounting; central HR function; auditing; messenger service; central records, etc.	Not to be financed from extrabudgetary resources.

**ANNEX 3 - LIST OF PSC RATES ALLOWED IN THE CURRENT FAO SUPPORT COST  
POLICY  
(Standard and non-standard)**

Type of projects or categories of costs recognized in the current FAO support cost policy	PSC rates
TF/APO (Belgium and Netherlands)	14%
Technical Assistance including normative (standard rate)	13%
TF/APO ( excluding Belgium and Netherlands)	12%
Emergency Assistance -Trust funds (standard rate)	10%
TCP (standard rate)	7%
Contracts/expendable and non-expendable procurement is over 70% of net project budget	7%
Contracts/expendable and non expendable procurement is between 40% and 70% of net project budget	7% applied to that budget component and the relevant PSC rate to the rest of the project budget
GEF medium and full size project executed by FAO	6% with balance recovered as direct costs
Funds deposited with the Organization to cover the facilities fee and the cost of holding non-FAO sessions on FAO premises	5%
GEF - Project Preparation Grant (covers project formulation costs)	0%
GEF medium- and full-size project not executed by FAO*	0%
Contributions to FAO for the refurbishment and improvement of FAO premises (both at headquarters and in regional and subregional offices)	0%
Contributions to cover the travel cost of participants from developing countries to conferences and consultations on matters within FAO's mandate	0%
Contributions to reimburse Technical Support Services from FAO staff time where funding is entirely or largely for this purpose	0%
Sponsorship funds in support of awareness raising and/or promotional events	0%
Exceptionally large projects when economies of scale apply	Determined on a case-by-case basis
Inclusion of project support costs in the project budget as direct project costs**	Determined on a case-by-case basis
Article VI and XIV Bodies***	Determined on a case-by-case basis

\* FAO does not receive a PSC but receives a management fee separate from the project budget that is managed in a separate trust fund

\*\* For EU or UN Joint Programmes funded projects when a PSC rate of 7% is granted to technical assistance/normative projects or emergency projects respectively 6 % and 3 % should be identified as AOS type direct inputs in the projects.

\*\*\* See the list of Article VI and XIV bodies and PSC rates in the attachments

**ANNEX 4 - DEGREE TO WHICH THE CFF MODEL ADDRESSES IDENTIFIED ISSUES ASSOCIATED WITH THE CURRENT COST RECOVERY MODEL**

<b>Issues associated with the current cost recovery modality<sup>6</sup></b>	<b>Addressed</b>	<b>Manner in which issue is addressed</b>
<b>A. Financial issues</b>		
1. Current extrabudgetary budgets do not reflect full costs because of support from the Regular Programme and technical departments may not be identifying all work performed for projects.	Yes	Activities will be fully costed, showing Direct Operational, Direct Support and Indirect Support Costs.
2. Some directly attributable costs are recovered through the cost recovery rate rather than being included in direct costs.	Yes	Indirect support costs will not include activities that can be attributable.
3. Multiple support cost rates may affect resourcing as resource partners may direct funds to activities with lower recovery rates.	Yes	An indirect support cost recovery rate will apply to contributions, with flexibility for incentives and requirements of some partners.
4. Financial reporting on extrabudgetary and Regular Programme activities are not comparable at the activity level.	No	Budgeting at activity level will continue. Comparing financial results for disparate activities may have limited value.
5. Reporting on extrabudgetary resources varies by resource partner resulting in time-consuming processes.	Partially	The standard cost categorization for all resources will allow for more standardized reporting across donors, although not entirely. Comparing financial results for disparate activities may have limited value.
6. Costs eligible for recovery, accepted recovery modalities and accepted recovery approaches can vary by donor.	Yes	Full cost recovery policies can be applied to all contributions (some cases require further analysis, such as GEF).
7. The current cost recovery modality does not provide incentives for contributions to core resources or encourage non-traditional donors (private sector, South-South).	Yes	Adopting proportional cost recovery will ensure that Extrabudgetary resources are treated as supporting the delivery of the Programme of Work.
<b>B. Administrative issues</b>		
1. Separate administrative processes, support structures and operating modalities exist to delineate Extrabudgetary costs from Regular Programme activities for budgeting and cost recovery.	Yes	Standard cost categories and aggregate support cost budgeting with proportional cost recovery will mean that separate processes, structures and modalities will not be necessary.
2. Method for calculating recovery rates is complex, time consuming	Yes	The method for calculating the recovery rate will not require the WMS and CMS

<sup>6</sup> FC 154/10 paragraph 16.

<b>Issues associated with the current cost recovery modality<sup>6</sup></b>	<b>Addressed</b>	<b>Manner in which issue is addressed</b>
and difficult to communicate internally and externally.		and will be simplified: the calculation of the indirect support cost rate will be done as a percentage of direct costs.
3. The modality of cost recovery—either through an applied rate or through staff occupancy charges (ICRU)—is complex in application, redistribution of recovered amounts in alignment with work requirements and difficult to communicate.	Yes	Simplified through proportional cost recovery. There will be no need for 18 different rates. ICRU will be discontinued.
4. Assessment of requests—within the approved policy—for rate adjustments pertaining to special circumstances are time consuming and may give the appearance of inequitable treatment among donors.	Yes	Activities are fully costed. Hence there will be no longer the need for the assessment of requests in the current volumes for rate adjustments, there will be greater transparency and equitability of treatment.
<b>C. Operating issues</b>		
1. Resources are not initially linked to specific activities and may come from various separate funding streams—extrabudgetary, Regular Programme, recoveries—and therefore may affect operational effectiveness (by creating uncertainty in timing and sufficiency of necessary funding).	Partially	All costs of work will be funded proportionally at the time of resourcing of projects.
2. Activities with smaller budgets may not include resources necessary for effective implementation since some required inputs may not be readily scalable on a project-by-project basis	Yes	Activities will include attributed costs, which could include non-scalable resources distributed proportionally to the activities they benefit.
3. Operational effectiveness may be hampered and financial efficiency may be reduced due to resource use restrictions.	Yes	Full cost recovery with proportionality should mitigate the risks of changes in delivery and non-scalable costs in the short term.