

PURPOSE OF THIS DOCUMENT

To inform the Standing Committee on Administration and Finance (SCAF) of the financial aspects of the Commission for the 2019 financial year (1 January to 31 December 2019).

STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2019

1. The total of contributions due in 2019 for the 2019 budget was US Dollars \$4,270,341. As of 31 December 2019, a total of \$3,990,829 had been received. Note, the total of contributions received in 2019 also included outstanding contributions due from years prior to 2019. Therefore, the difference between the amount of the contributions due for the 2019 budget year and the contributions received (\$279,513) does not necessarily reflect the diligence of members paying their contributions in a timely fashion.
2. The cumulative total of outstanding contribution payments has increased by around 9.5%, from \$2,889,010 as of 31 December 2018, to \$3,162,341 as of 31 December 2019.
3. Details on the status of contributions are available in IOTC-2020-SCAF17-06.

It is important to pay contributions on time

4. The situation of outstanding contributions is not sustainable in the long term. It is essential to receive contributions as soon as possible after invoices are sent out because the FAO requires funds to be available from the IOTC budget at the start of each calendar year to cover all salaries and existing contracts (for consultants and other service providers) for that year. FAO will not contribute to the IOTC accounts to keep it afloat. Substantial funds must be available otherwise FAO will not renew staff contracts, enter any new contracts or commit to any procurement actions.
5. Under expenditures (for example \$603,516 in 2018 and \$901,965 in 2019) coupled with the deficit contingency budget included in the 2019 budget (\$150,000) have helped to ease the cash flow situation and the introduction of the Working Capital Fund will provide a transparent buffer against the risk of contributions not arriving on time. However, these sources cannot be relied on and it is essential that contributions are paid as soon as possible after the mid-year call for funds.

EXPENDITURES FOR THE YEAR 2019***The 2019 budget was underspent by \$919,761.***

6. The total budget for 2019 was \$4,270,341 and the Commission spent (actuals) \$3,368,376. The level of under expenditure from the budget amounted to a total of \$901,965 (Table 1). This under-expenditure was mainly due to under-spending in staff costs (18%) due to the Fishery Officer (Science) resigning in July, the Statistician transferring to a position in FAO HQ and the P5 Compliance Manager position remaining vacant. Some General Service posts also remained vacant but were filled towards the end of the year. In addition, there was an overall saving of 19% in operating expenses.
7. In 2019 there was a positive balance in contributions against actual expenditures of \$622,453 and this was added to the IOTC Working Capital Fund.

Table 1. Comparison between actual and budgeted expenditures in 2019 (in US\$).

	Budget Item Description	Budget	Actual	Variance	Percent Variance
1	Administrative Expenditures - Staff Costs				
1.1	Professional Salaries	1,303,386	1,118,337	-185,049	-14%
1.2	General Service Salaries	96,425	73,262	-23,163	-24%
	Sub-total Salaries	1,399,811	1,191,599	-208,212	-15%
1.3	Employer contributions to Pension Fund and Health Insurance	379,736	324,006	-55,730	-15%
1.4	Employer contribution to FAO Entitlement Fund	781,501	577,309	-204,192	-26%
1.5	ICRU	71,709	60,691	-11,018	-15%
1.6	Adjustment staff cost variance	0	1,756	1,756	100%
1.7	Total Administrative Expenditures	2,632,757	2,155,361	-477,396	-18%
2	Operating Expenditures				
2.1	Capacity Building	100,000	31,694	-68,306	-68%
2.2	Co-funding Science/Data Grants	205,000	166,109	-38,891	-19%
2.3	Co-funding Compliance Grants	30,000	19,670	-10,330	-34%
2.4	Misc. Contingencies	0	0	0	0%
2.5	Consultants	155,000	104,550	-50,450	-33%
2.6	Duty travel	150,000	149,628	-372	0%
2.7	Meetings	145,000	67,913	-77,087	-53%
2.8	Interpretation	140,000	124,616	-15,384	-11%
2.9	Translation	110,000	101,679	-8,321	-8%
2.1	Equipment	25,000	17,822	-7,178	-29%
2.11	General Operating Expenses	68,000	48,357	-19,643	-29%
2.12	Printing	0	0	0	0%
2.13	Contingencies	10,000	0	-10,000	-100%
2.14	MPF	200,000	246,544	46,544	23%
	Total Operating Expenditures	1,338,000	1,078,582	-259,418	-19%
	SUB-TOTAL	3,970,757	3,233,943	-736,814	-19%
3	Additional Contributions Seychelles	-20,100	0	20,100	-100%
4	Deficit Contingency	150,000	0	-150,000	-100%
	TOTAL	4,100,657	3,233,943	-866,714	-21%
5	FAO Servicing Costs	169,684	134,433	-35,251	-21%
6	GRAND TOTAL (\$)	4,270,341	3,368,376	-901,965	-21%

Explanatory notes on expenditures for 2019

Salaries – Professional grade staff (1.1)

8. Professional Salaries were less than the budgeted figure, with a saving of approximately \$185,049 (-14% variance) primarily due to the vacant posts of the Compliance Manager (now filled), the Fishery Officer post which was vacated in July and the Statistician post vacated in October 2019. Table 2 provides additional details on salary-related costs for professional staff.

General Service staff (1.2)

9. The General Service salaries were subject to two pay increases in 2019, 3.8% retroactive to 2017 and 4.2% retroactive to 2018. These pay increases were foreseen and overall costs remained within budgeted levels. There was an overall saving of 24% due to vacant GS posts. The G6 Office Associate post was filled in April and the vacated G5 Office Assistant post was filled at the end of 2019 meaning the year ended with the GS fully staffed. Table 2 provides additional details on salary-related costs for general service staff.

Employer Contributions (1.3 & 1.4)

10. Employer contributions to the Pension Fund and health insurance costs were 15% below budgeted figures as a direct consequence of the vacancies mentioned above. The contributions to the FAO entitlement fund were 26% below budgeted figures. These entitlement contributions are assessed by FAO for every project (including IOTC) by prorating actual costs of covering these entitlements across FAO. Therefore, an overall reduction in staff costs normally results in a similar reduction in employer contributions. Entitlement contributions were further reduced by a lower rental subsidies being introduced. Table 2 provides additional details on salary costs related to employer contributions.

ICRU - Improved Cost Recovery Uplift (1.5)

11. In 2014 FAO brought in 'Improved Cost Recovery Uplift' (ICRU) charges to cover field project personnel costs (for staff and consultants). These charges are to recover the costs of central services provided for security and information technology. While the Commission has previously expressed its disagreement with the inclusion of ICRU in the IOTC budget (e.g. SCAF14), ICRU has continued to be applied by FAO hence there is an expenditure of \$60,691 in 2019 against a budget of 71,709 (-15%). Table 2 provides additional details on the allocation of the ICRU to staff.

Support to Capacity Building (2.1)

12. The budget line on Capacity Building shows expenditures significantly below the budgeted figure (-68% variance). This is a consequence of the IOTC Secretariat using extra-budgetary resources and partnerships to cover most of the anticipated expenses. The budget for support to capacity building for the current year has been further reduced.

Co-funding Science/Data Grants (2.2)

13. This budget line was included to cover expenditures related to the IOTC co-funding to EU grants for science and data activities. Typically, the contribution from IOTC is around 20% of a project total but with current projects this can be as much as 34%. In 2019, there were under-expenditures amounting to \$38,891 (-19%). This was primarily due to overall savings in EU projects resulting in less contributions than expected being required in 2019. The expenditures for each project can be seen in Table 3.

Co-funding Compliance Grants (2.3)

14. This budget line was included to cover expenditures related to the IOTC contribution to EU grants for compliance activities. Typically, the contribution from IOTC is around 20% of a project total. In 2019, there were under-expenditures of \$10,330 (-34%) in this line due to some travel costs being covered by the World Bank's SWIOFISH 2 Project which is being implemented by the Indian Ocean Commission, with technical input from the IOTC Secretariat.

Misc. Contingences (2.4)

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

Consultants (2.5)

16. The total expenditure for consultants is made up of a range of expenditures relating to the support provided by external scientific experts, including other planned consultancy fees. The IOTC registered an under-expenditure of US\$50,450 for consultants in 2019 (+-33% variance) primarily because most of the consultancies were carried out remotely without the need to travel.

Duty travel (2.6)

17. Duty travel mostly includes travel of the Secretariat staff to participate in meetings of the Commission but may include some travel to relevant events hosted by other organisations. A quarterly travel plan is compulsory and is submitted to FAO for approval. Details of the travel undertaken in 2019 under the support of the Commission, are provided in Appendix 1. Despite most of the meetings being held outside of Seychelles, travel in 2019 amounted to \$149,628 against a budget of \$150,000.

Meetings (2.7)

18. The cost for meetings in 2019 was under-spent by \$77,087(-53%) due to most of the costs related to the Scientific Committee (SC22) and the working parties being covered by hosts outside of Seychelles. The expenditures under this category include the rental of meeting facilities for the TCAC, TCPR and WPNT meetings, data lines, sound and interpretation equipment as required, as well as incidentals such as transport, and breaks. The travel costs related to providing support for the meetings in India and Pakistan were also included under this category.

Interpretation (2.8)

19. The costs for interpretation included interpreter fees (\$80,682) and travel (\$43,934) for teams of 4-6 interpreters at the Commission, Compliance Committee, SCAF, TCMP, the Scientific Committee, TCAC and TCPR meetings. There was a saving of \$15,384 (-11%) due to efforts to optimise the numbers of interpreters required, and savings in travel by using interpreters from the regions where the meetings were being held. FAO also credited a rebate due to overall savings throughout the Organization.

Translation (2.9)

20. The translation budget line was under-spent by \$8,321 (-8%).

Equipment (2.10)

21. The equipment budget was under-spent by \$7,178 (-29% variance). This covered the procurement of some important new equipment to strengthen office security (CCTV and access control systems) and to update IT equipment (Server, PCs, laptops).

General operating costs (2.11)

22. General Operating costs include a series of expenditures related to the normal functioning of the Secretariat office. Table 3 shows a detail of the costs for 2019. The difference between budgeted (\$68,000) and actual operating costs (\$48,357) represents a 29% saving. However, it must be noted that VAT refunds of \$14,630 from two years (2018 and 2019) are included in this figure as well as a pool distribution rebate of \$1,621 from FAO.

Printing (2.12)

23. The printing budget line was set to zero for 2019 and 2020.

Contingencies (2.13)

24. As required by provisions in the Financial Regulations, a contingency budget line provides for miscellaneous expenditures that are encountered by the Secretariat and do not fit into the pre-defined account structure of the operating expenditures. These funds were not used in 2019.

Meeting Participation Fund (MPF) (2.14)

25. The approved MPF budget for 2019 was \$200,000 and a total \$246,544 was spent. This over-expenditure was possible because of extra-budgetary contributions received from Australia and China. Details on the status of the MPF are provided in IOTC-2020-SCAF-05.

Additional Contributions by Seychelles (3)

26. This additional contribution has been negotiated under the Headquarters Agreement between FAO and the Government of Seychelles. The current contributions from the Government of Seychelles are intended to defray some of the costs of operating the Secretariat, including costs of the Secretariat's Information Technology consultant. No additional contributions were received in 2018 and 2019.

Deficit Contingency (4)

27. The deficit contingency amount of \$150,000 included in the 2019 budget remained unused.

FAO Project Service Cost (5)

28. The FAO Project Servicing cost in 2019 was \$134,433, representing a saving of 21% compared to the budgeted amount.

Table 2. Detail of Staff-Related Costs During 2019 (in US\$)

	General Service Staff	Professional Staff
Base Salary Actual	71,361	734,871
Overtime / Secondment	1,901	3,201
Basic Medical Insurance Plan	28,242	34,909
Contribution to FAO entitlement fund	45,920	531,389
Pension plan	13,932	246,924
Post Adjustment	-	380,265
ICRU	4,641	56,050
Adjustment Staff Cost Variance	572	1,184
Total	166,569	1,988,793
Grand Total		\$2,155,362

Table 3. Detail of General Operating Expenditures in 2019 (in US\$)

Category	Actual Costs
Telephone	6,087
Internet	31,961
Postage	717
Office Supplies	7,760
Water	929
Newspapers and adverts	1,393
Cleaning	4,309
Vehicles operating and maintenance	4,040
Website hosting and development	7,412
VAT Refund and FAO rebate (2017-2019)	-16,250.52
TOTAL	\$48,357

FINANCIAL STATUS

The 2019 budget was underspent, and the total of outstanding contributions has increased

29. A total of \$3,368,376 was spent in 2019 against a budget of \$4,270,341 (-21%).
30. The cumulative total of outstanding contribution payments was \$3,162,341 as of 31 December 2019. The IOTC Secretariat continues to pursue payment of these outstanding arrears and has been taking action in the form of generic reminder circulars and letters addressed directly to CPCs. A significant and immediate risk remains that FAO will stop expenditures against the IOTC project until contributions match commitments.

IOTC received extra-budgetary funds in 2019

31. In 2019, the IOTC benefitted from work undertaken using extra-budgetary funds provided by some Members (Appendix 1). In 2019, the Secretariat managed five multi-year projects funded by the European Union (DG Maritime Affairs and Fisheries) that were in various stages of completion. These projects totalled \$3,709,804 and supported technical assistance to developing countries to improve implementation of at sea observer scheme, data collection; and the work of the both the Scientific Committee and Compliance Committee. An additional EC project was added at the end of 2019 with a start date of January 2020.
32. The Regional Observer Programme (ROP) also received \$551,271 of contributions in 2019 from the fleets participating in the programme. Expenditures in 2019 amounted to \$809,618 which was possible because of surplus funds from the previous year.
33. In 2019 the IOTC Meeting Participation Fund (MPF) was augmented by \$20,000 of extra-budgetary contributions received from China and \$26,337 from Australia. This increased the total 2019 MPF budget to \$246,337. Details on the MPF are provided in IOTC-2020-SCAF17-05.
34. In addition to the extra-budgetary MPF funding, Australia provided \$38,010 as the first tranche of an AUD300,000 extra-budgetary contribution (approximately US\$207,326) to carry out a Management Strategy Evaluation for bigeye, yellowfin and albacore tuna. This will be carried out through a Letter of Agreement with CSIRO and no expenditures were reported in 2019.
35. The Commission also benefitted from IOTC-relevant compliance activities being undertaken and paid for through the World Bank's SWIOFISH 2 Project being implemented by the Indian Ocean Commission, with technical input from the IOTC Secretariat.

IOTC has a balance of funds of about +\$2 million (Working Capital Fund)

36. According to the FAO financial system, as of 31 December 2019 the IOTC has a balance of funds of \$2 million. These accumulated funds have built up as a result of some underspending, savings, vacant posts and because there was a sizeable contingency deficit allocation in the respective budgets of 2016, 2017 and 2019¹.
37. A level of accumulated funds in excess of \$1 million is considered to be essential to ensure a positive cash flow and continuity of IOTC's activities². This level of accumulated funds is especially important for IOTC during the first part of the year when approximately \$2 million is committed for staff salaries, and not all contributions have been received. However, it should be noted that the use of accumulated funds to cover for the current shortfalls in contribution payments is not sustainable, as these funds could be exhausted quickly at the recent levels of arrears.
38. The [IOTC Financial Regulations \(2019\)](#) established a 'working capital fund' to provide a transparent and strategic mechanism for the Commission to manage the use of any accumulated funds into the future.

¹ According to the FAO financial system, as of 31 December 2019 the IOTC had a balance of funds of \$2,380,841. Within this balance there are some 2020 contributions that were received in 2019 (+\$309,783) and an extra-budgetary contribution from Australia (+\$38,010). A more indicative figure to use as the balance is therefore \$ 2033,048.

² The independent report on the costs and benefits of maintain the institutional link with FAO (IOTC-2016-S20-05) recommended that such a 'capital reserve fund' is necessary, in the region of \$ 1 million - similar to those of other tuna RFMOs.

SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **NOTE** paper IOTC-2020-SCAF17-04 which includes the Financial Statement and supporting documentation for the financial period 1 January to 31 December 2019.
- b) **NOTE** the formal establishment of the Working Capital Fund its current balance when considering the Programme of Work Budget for 2021/22

Appendix 1. Extra Budgetary Funds 2019

Project No.	Area of Work	Donor	Description	Total Funding Amount US\$	Expenditures 2019 US\$	End date
MTF/INT/314/MUL	Compliance	Multiple donor-participants ROP	Regional Observer Programme	4,449,729	809,618	31/12/2020*
GCP/INT/233/EC	Stock Assessment	EC	Population structure of IOTC species in the Indian Ocean: Estimation with next generation sequencing technologies and Otolith micro-chemistry	1,529,487	25	30/06/2020
GCP/INT/304/EC	Compliance	EC	Technical assistance to developing countries to improve compliance with IOTC CMMs	216,346	107,691	30/06/2020
GCP/INT/305/EC	Science	EC	Support to the Scientific Committee Programme of Work (2018)	721,153	307,773	30/09/2020
GCP/INT/322/EC	Science	EC	Support to the implementation of the IOTC ROS (2018)	850,682	451,422	31/03/2021
GCP/GLO/983/EC	Science	EC	Support to the Scientific Committee Programme of Work (2019)	392,136	214,698	30/06/2020
MPF Extra-budgetary	Meetings	China	Extra funds for meeting participation	20,000	20,000	31/12/2019
MPF Extra-budgetary	Meetings	Australia	Extra funds for meeting participation	26,337	26,337	31/12/2019
Management Strategy Evaluation	MSE	Australia	Extra funds to carry out an MSE	207,326**	0	31/12/2021
Total				8,413,196	1,937,564	

* to be extended

** 1st tranche of \$38,010 received in 2019

Appendix 2. Staff travel in 2019

MEETING/EVENT	DATE AND LOCATION	DUTY TRAVEL (No. of Secretariat Participants)
FAO expert advisory panel	20-27 January 2019: Rome, Italy	1 External Funding
Working Party on Temperate Tuna-Preparatory	14-17 January 2019: Malaysia	2
MCS CDS/WPICMM02	11-15 February 2019: Maputo, Mozambique	3
To meet with Secretary MOFL and officials and introduce the IOTC clarify member obligations	18-21 February 2019: Dhaka, Bangladesh	1
Global Seabird Bycatch Analysis workshop	24 February-02 March 2019: Skukuza, South Africa	1
Review Eastern Pacific bigeye tuna stock assessment	8-17 March 2019: San Diego USA	1 External Funding
CSM/PSM training, e-PSM Training	9-23 March 2019: Kuala Lumpur, Malaysia	1
IOTC Management Strategy Evaluation technics	17-24 March 2019: Rome, Italy	1
CSM, PSM, e-PSM Training	1-5 April 2019: Dhaka, Bangladesh	1
Pre-meeting Preparation in Hyderabad, India	03-06 April 2019: Hyderabad, India	1
Data Compliance mission and Capacity Building	14-21 April 2019: Mauritius	2
FAO Workshop on rights-based Management Fisheries in the ABNJ	22-28 April 2019: Rome, Italy	1
IOTC Joint CPUE Workshop	26 April-05 May 2019: San Sebastian, Spain	1
Joint Tuna RFMO FAD Technical Group	06-13 May 2019: La Jolla, USA	1
11 th Firms Steering Committee + 26 th Session of the CWP	10-23 May 2019: Rome, Italy	1
CPUE Standardisation for Iran Gillnet Fishery	5-14 June 2019: Tehran, Iran	
23 rd Session of the IOTC and Associated meetings	11-22 June 2019: Hyderabad, India	7
e-PSM and PSM Training	13-18 July 2019: Male, Maldives	1
IOTC Working Party on Temperate Tuna	20-28 July 2019: Shuzuoka, Japan	3
Data Compliance mission	22-31 July 2019: Tanzania	1
Working Party on Billfish and Working Party on Ecosystems and Bycatch	03-12 September 2019: La Reunion	4
World Tuna Conference and Meeting with FAO personnel	14-22 September 2019: Vigo, Rome	1
Workshop to support Oman's Department of Fisheries and Statistics	21-28 September 2019: Muscat, Oman	2

10 th Session of SWIOFC	28 September-05 October 2019: Male, Maldives	1 External Funding
EMS Pilot Project	23-27 September 2019: Colombo, Sri Lanka	1
Working Party on Methods and Working Party on Tropical Tunas	15-29 October 2019: San Sebastian, Spain	4
Pre WPDCS and SC meetings preparation	22-26 October 2019: Karachi, Pakistan	1
178 th Session of the Finance Committee	5-12 November 2019: Rome, Italy	1
Working Party on Data Collections and Statistics	26-30 November 2019: Karachi, Pakistan	8
Chairing joint Tuna RFMO Bycatch Working Group	14-20 December 2019: Porto, Portugal	1
Scientific Committee meeting	2-6 December 2019: Karachi, Pakistan	6