

IOTC-2018-TCPR01-INFO1

Cost and Benefit Report on the IOTC 2015

Report prepared for the IOTC and FAO by Glenn Hurry
2015

As presented to the IOTC Technical Committee on Performance Review in 2018.
(Adapted from the original report IOTC-2016-S20-05)

Today's presentation

- ▶ What has changed over the last 3 years in IOTC and FAO?
- ▶ IOTC/FAO relationship
- ▶ The legal views
- ▶ A short history of the IOTC
- ▶ Lessons from a study of recommended agencies
- ▶ tRFMO Comparison
- ▶ FAO Costs Explained
- ▶ Option 1Stay with FAO
- ▶ Option2Stay with FAO but with flexibility
- ▶ Option3.....Leaving the FAO
- ▶ Conclusion.....just a few observations

A few points for starters

- ▶ This report is now somewhat dated having been completed in 2015. However, in re-reading it and going back over it the conclusions still hold true.
- ▶ I will draw your attention to the legal advice from IOTC and the FAO
- ▶ Cost and benefits?
- ▶ The author has no bias to the IOTC or the FAO and has tried to give you a balanced view
- ▶ I have in the attachments tried to provide you most background documents you need
- ▶ I have some thoughts on this issue, probably somewhat outside of the ToR that I will share with you

What has changed in the IOTC and FAO since the report was released

- ▶ Recently introduced FAO arrangements for cost recovery to apply to new projects
- ▶ Increased levels of administrative control from FAO on approvals for actions
- ▶ IOTC staffingfew changes
- ▶ New IOTC MD appointed
- ▶ Increased level of unpaid contributions

A short history of the IOTC

- ▶ Why because not many of you were here at the start
- ▶ 1967 FAO Council Resolution 2/48 IOFC include 4 committees one of which was the IO Tuna Committee.
- ▶ 1982 IPTP in Sri Lanka (morphed into IOTC)
- ▶ 1989
 - ▶ IOTC convention adopted for management of IO tuna
 - ▶ Failed to agree text for a Commission
 - ▶ Reason EU not recognized and wanted membership, and members wanted more flexibility and autonomy in management from FAO
 - ▶ Resolved in 2nd meeting in 1992
 - ▶ IOTC Agreement adopted in 1993 and
 - ▶ Entered into force in 1996
- ▶ 2004-2007: IOTC members seek to leave FAO
- ▶ 2015 IOTC: 2nd Performance review and study of IOTC costs and benefits inside and out of the FAO
- ▶ Issue of autonomy and independence is as old as the IOTC itself.

The IOTC and the FAO...just reality

- ▶ The IOTC was created under FAO guidance and programs
- ▶ Members signed the IOTC Agreement fully aware of the implications of being an Article 14 body of the FAO at that time.
- ▶ The FAO is guided in its policies and approaches by its members through Council and Conference
- ▶ Your country attends these meetings of the FAO and guides its policies in area such as cost recovery, financial management and legal approaches to issues raised.
- ▶ There would seem to be an inconsistency in country positions at Council and Conference and here at the IOTC that could require clarification

IOTC and FAO in Context

▶ IOTC

- ▶ Long term FAO Project
- ▶ IOTC members signed the IOTC agreement, delegates change over time
- ▶ Article 14 Body of FAO
- ▶ 32 member countries
- ▶ \$3 million budget (now \$5 mill)
- ▶ 15 professional and GS staff
- ▶ IOTC Established by FAO
- ▶ 2004-07 review and outcomes
- ▶ FAO provides reduced recovery to IOTC in several areas
- ▶ IOTC members countries also FAO Council members and messages mixed

The IOTC and the FAO in Context

▶ FAO

- ▶ \$1.5 billion budget
- ▶ 4,500 staff
- ▶ 3,500 projects
- ▶ 186 member countries
- ▶ FAO Responsible for the performance of all projects to Council
- ▶ Council instructs FAO to recover costs etc
- ▶ Cost recovery is a well understood concept world wide

What's the problem?

- ▶ FAO views IOTC as a renewable program under Art 14 of the FAO
- ▶ Members see IOTC as one of the 5 trFMOs and not as a renewable FAO program
- ▶ Globally it is perceived that way as well civil society and industry do not view it as a renewable FAO program.
- ▶ Members feel they can not control their own destiny
- ▶ Members concerned about the level of FAO cost recovery and the lack of transparency and clarity on these issues
- ▶ Members frustrated that they lack the flexibility of other trFMOs to take decisions and actions.....and
- ▶ To date developing a framework to deal with TPoC as a fishing entity has been possible under other trFMOs but not under the IOTC/FAO framework.....
- ▶ And for 29 years you have been somewhat unhappy

The legal views on separation and legal status (2007-09)

- ▶ Not commented on in the report
- ▶ There is legal advice from FAO attached CCLM 88/3 (2009) Preliminary Review of Statutory Bodies and CCLM 82/2 and IOTC/Rev 1 (Advice on Changes to the Nature of Article 14 bodies greater autonomy etc)
- ▶ Advice by W Edeson: International Journal of Marine and Coastal Law. An International Legal; Extravaganza in the Indian Ocean- "Placing the IOTC outside of the Framework of the FAO"
- ▶ Both views need to be considered and dealt with.
- ▶ FAO both repository and stakeholder in this process.
- ▶ You don't want this issue to be legal debate it is not a competition
- ▶ The question of the IOTC inside or outside of the FAO is largely a political issue not a cost or legal issue.

Lessons from other Article 6 and 14 Bodies of FAO

- ▶ RECOFI, APFIC,CECAF, WECAFC, GFCM
- ▶ IOTC far more advanced and self reliant
- ▶ Article 6 bodies are different to Article 14 bodies in as much as they rely on FAO for funding (Some but not all Art 14 bodies largely self funded)
- ▶ Scope and maturity of other organisations quite different IOTC acknowledged as more advanced and standalone than others.
- ▶ WECAFC and GFCM are the RFBs most aligned on issues and development to IOTC and any review of Article 14 bodies or IOTC should include reference to these 2 RFB's

Lessons from a study of other UN agencies under arrangements similar to IOTC

- ▶ You asked me to research
 - ▶ International Social Security Association (ILO since 1927 with 340 member associations and 217 countries)
 - ▶ International Union for the protection of new varieties of Plants (UPOV) (World Intellectual Property Organization sine 1968) 74 members and SG for both organisations
 - ▶ International Agency for Research on Cancer (WHO since 1965, 25 members \$50 mill in budget 300 staff scientists independent experts not member delegates
 - ▶ Universal Postal Union Translations services (STAN); UPU 1948 originally French based extended later in English
 - ▶ International Panel on Climate Change; WMO and UNEP 1988

What did I learn?

- ▶ Studied 5 ISSA, UPOV, IARC, STAN, and IPCC
 - ▶ Hard to get information
 - ▶ ISSA: MoU with ILO formed in 1927, really is independent agency but has professional relationship with ILO but can attend UNGC in its own right politically important.
 - ▶ UPOV: part of WIPO HQ's together, 71 member countries, share SG, conditions similar to IOTC, very strong professional relationship between the 2 groups
 - ▶ IARC: large global body, part of WHO, \$47 mill+ have support from highest level of govt, UN common system, professional, politically strong
 - ▶ UPU/STAN: small permanent staff use of contract labor, UN based systems, UPU large organization \$54 mill in budget
 - ▶ IPCC: UNEP and WMO; 195 member countries, UN based staffing rules and regs, MoU on financial arrangements, committed professional parent bodies committed to the success of IPCC. Business model and MoU may be useful

Common threads

- ▶ Large international organisations strongly supported and seen as globally relevant
- ▶ Strong professional and mature relationships, respectful and geared to getting results, create a positive working environment
- ▶ Some have very clear MoU about costs
- ▶ Seem to have clear rules of operating
- ▶ Approach to use of scientists in IARC is useful
- ▶ Global reach and political support makes them somewhat different to IOTC
- ▶ Staff salaries and Conditions consistent with UN Common system
- ▶ But what is important is the professional relationships

tRFMOs

- ▶ Compared IATTC, ICCAT, WCPFC, CCSBT and IOTC
 - ▶ ICCAT staff and salary costs hard to break down from their budget structure
 - ▶ 3 have FAO salary and staff conditions
 - ▶ IATTC predates FAO and uses US General Services pay schedules
 - ▶ WCPFC FAO for ED and an amended CROP scale for other staff.
 - ▶ The best comparisons are with WCPFC and IOTC, both island based, expensive for staff recruitment, housing, travel, education etc.
 - ▶ When you compare the IOTC and the WCPFC costs there is little difference and little evidence that under an independent regime this would change
 - ▶ If a decision was taken to leave the FAO a lot of the necessary rules and regulations, financial and legal arrangements etc would be available
 - ▶ WCPFC has developed provisions for GS staff that would also be helpful

tRFMO salary and benefit costs

Item	IOTC	CCSBT	IATTC	WCPFC	ICCAT
1) No of Prof Staff	9	conv@1.22	28	10	conv@.82
2) Prof Staff salary costs total	785,214	413,881	3,050,321	964,822	Inclusive of benefits see below
Average cost	87,246	103,470	108,940	96,482	N/A
3) Prof Staff benefit and conditions costs	1,249,465	162,737	735,260	1,249,735	Total costs 1,535,103
Average cost	138,829	40,684	26,259	124,973	N/A
Total	226,075	144,154	135,199	221,455	95,942
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
Average	10,558	26,604	54,669	22,119	
6) General service staff benefit costs	82,569	18,035	328,360	65,925	1,105,818
Average	13,671	6,011	19,315	5,071	
Total	24,229	32,615	73,984	27,190	110, 581
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

tRFMO operating costs

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 MPP)	143,442	8,490	12,777	142,000
FAO Project Service Costs	132,937				
ICRU	124,036				
Total	1,075,122	999,524	1,633,957	4,245,923	3,153,829

tRFMO Costs

- ▶ Caution with figures as not all recorded in the same way. See Table 2
 - ▶ IOTC (\$5B \$226,075) WCPFC (\$221,455)
 - ▶ Prof staff benefits and costs very similar
 - ▶ Only IOTC staff benefit from UNJSPF and ASHC
- ▶ Table 3
 - ▶ WCPFC outsources science and data entry
 - ▶ Meeting Costs vary depending on hosting
 - ▶ ICCAT costs hard to obtain with any accuracy.
- ▶ Message: indications that if IOTC stays in Seychelles then costs may well be similar inside or outside FAO

FAO Costs Explained

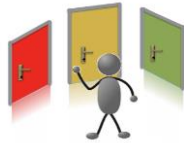
Most businesses and government agencies run on cost recovery models to recover the costs of overheads

- ▶ Professional Salaries UN Common System
 - ▶ Includes UNJSPF and Health care, ASHC benefits include education, housing, cost of living adjustments, reunion travel
- ▶ General Services staff
 - ▶ Unless in professional positions paid at local rates adjusted by UN surveys. Benefits for health and pensions apply
- ▶ Benefits at Standard (BaS)
- ▶ Increased Cost Recovery Uplift (ICRU) (security and IT)
 - ▶ Security charge dropped from 4.5% to 1.5%
 - ▶ IT maintained at 1.4%
- ▶ Project Services Costs:
 - ▶ normally 13% of project expenditure; changed at 4.5%
- ▶ Extra Budgetary Funds and MPF
 - ▶ MPF no charge EDF at 4.5%
- ▶ The new FAO system to apply to new projects needs to be evaluated

FAO Charges to IOTC 2014

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

Your 3 Options



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Option 1 Staying with the FAO

- ▶ Potential Benefits of staying
 - ▶ Institutional: safety net regional structure, specialist services, support and protection
 - ▶ G77 view in 2007
 - ▶ Administrative: financial and support systems, HR systems, security support,
 - ▶ Staff benefits and allowances well proscribed
 - ▶ Pensions and health care systems for staff
 - ▶ Attractive to new staff wanting to join IOTC/FAO
 - ▶ Currently get reduction on cost recovery
- But if you stay
 - ▶ You have to stay with good grace this problem has to be put behind you
 - ▶ DG FAO has overall responsibility for IOTC performance
 - ▶ You have to accept the rules of the FAO in relation to Art 14 bodies and cost recovery apply to you
 - ▶ You have to be content with the arrangements you have on cost recovery
 - ▶ Both FAO and IOTC have to rebuild a strong working relationship

Option 1 continued

- ▶ Perceived Disadvantages of staying you need to evaluate and consider their importance
 - ▶ FAO DG determines staff appointments including ED
 - ▶ Support costs seem high to members
 - ▶ Lack of transparency in costs and recovery
 - ▶ Inability to enter into 3rd party agreements for extra budgetary funding
 - ▶ Staff salaries and conditions of service are under the UN Common System
 - ▶ Inability to deal with Taiwan Province of China
 - ▶ No real ownership of the IOTC as FAO controls

Option 2: Staying but with increased autonomy

- ▶ DG has responsibility for the performance of the organization if it stays in FAO
- ▶ FAO rules and accountabilities will apply
- ▶ IOTC has some favorable treatment and autonomy
 - ▶ ICRU and PSC cost reduction, no charge on MPF
 - ▶ Creates own budget and financial rules
 - ▶ Plan and undertake travel
 - ▶ Select in consultation with FAO staff

Option 2: What would help

- ▶ No charges on extra budgetary funding
- ▶ Autonomy for staff selection and recruitment
- ▶ Reduced charges for functions performed by staff in the IOTC e.g. computing and financial management
- ▶ Legal personality to enter into agreements with countries and organisations
- ▶ Modernize the IOTC Convention
- ▶ IOTC would need to meet FC 148/21 Criteria
- ▶ Clear MoU on cost recovery and roles and responsibilities

Would Option 2 work?

- ▶ Good questiondepends on good will between the parties to make it all work.
- ▶ Still cannot deal with TPoC
- ▶ Unlikely to be granted further concessions or greater autonomy while responsibility and accountability for performance and management rest with the FAO DG
- ▶ IOTC must pay its share of cost recovery.
- ▶ A MoU like IPCC might be attractive to parties if members wanted to leave and FAO wanted to retain IOTC in the FAO framework requires maturity, professionalism and respect between parties
- ▶ This is a two edged sword.....it might be a way to find common ground but it may be used as a way to delay the inevitable
- ▶ But if 1 and 2 don't work then.....

Option 3: Leaving the FAO



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So you think you want to leave?

- ▶ Would probably be best if it was by consensus; it is a major decision for the members and everyone needs to be comfortable. Legally but I think it can be done by a 75% majority
- ▶ Issues in FAO legal advice 88/3 and Edeson advice would need to be addressed.
- ▶ But if the parties were to agree then a mature and amicable discussion of the legal construct for separation would need to occur.
- ▶ If the parties (IOTC and FAO) do not agree there is a legal issue that would need to be settled
- ▶ If all of the parties in the IOTC did not agree then this would also be an issue.....however...assuming everyone wants to set up an independent IOTC and FAO are supportive.....

If everyone was to agree...process

- ▶ A lot of preliminary work was done in 2004-07 and would still apply. The rest is in the other tRFMOs
- ▶ Joint working group, legal, finance and administration
- ▶ Timeframe of probably 12-24 months
- ▶ Would need to run the existing IOTC whilst transiting
- ▶ Legal issues include a new convention and a new Heads Agreement
- ▶ Administrative, staff recruitment, staff regulations salaries and conditions
- ▶ Finance; new finance system, rules and regulations
- ▶ IT transitional arrangements for IT framework and software systems and licenses

Legal issues

- ▶ Come to a landing with FAO on the most practical legal way to move forward a legal processes for separation from the current agreement will need to be agreed with the FAO and arrangements commenced
- ▶ A new modernized convention will need to be drafted and accepted then ratified by members
- ▶ Members may need to withdraw from existing convention??
- ▶ 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
- ▶ Members 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.

Administrative

- ▶ 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

Financial

- ▶ 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 organization

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	\$406,000
			additional Total if IT manager funding not required	180,000

Initial Start-up costs for an independent IOTC

Potential costs of establishing a new Commission

Task	Year 1	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
		Total cost	\$2,075,000

Potential savings: TPoC Contribution

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 for 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)

Potential Advantages of Independence

- ▶ 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 organization
- ▶ 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
- ▶ 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 TRPMO
- ▶ 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.

Are there real disadvantages of separation?

- ▶ Some you might want to fairly evaluate
- ▶ 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.
- ▶ Benefit of a FAO passport for staff working in member countries
- ▶ A safety net for developing countries who feel that being part 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 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.
- ▶ FAO provides proven finance and HR management systems

So in Conclusion.....and being honest with you

- ▶ You have been unhappy with the FAO relationship on and off for 29 years
- ▶ What you decide is largely a political decision not a legal or cost one
- ▶ You need to be able to deal with fishing entities
- ▶ On a cost assessment there is little evidence when compared to WCPFC that you will see any major changes to costs or contributions outside of the FAO system
- ▶ The cost slightly favor independence and the cost savings might increase
- ▶ The 4 other tRFMOs function very well and still have strong links to FAO
- ▶ With some concessions (MoU) IOTC members may opt to stay with FAO
- ▶ Both parties must be mature and professional about the futureit is not a contest
- ▶ You must make a decision and move on this issue has and continues to effect the performance and growth of the IOTC.

Being honest with you

- ▶ And looking for a way forward.....
 - ▶ I would have a long think about the first dot point above
 - ▶ and if you are still unhappy;
 - ▶ and if you can not see your way forward to a strong professional relationship with the FAO,
 - ▶ and if you all agree
 - ▶ then I suspect there is only one real avenue open to you.
- ▶ Good Luck for the Future

The future is completely uncertain...

...I am completely certain of this.