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COMMISSION BUDGET AND MEMBER CONTRIBUTIONS FOR 2016 and 2017

INTRODUCTION

1. This document provides an overview of the Commission's budget covering the fiscal years 2016 and 2017. Additionally, the document provides an update on the expenses made by the Commission and the details of expenditures foreseen for the 2016-2017 inter-sessional period.
2. The document needs to be read in conjunction with the following documents: Report by the Secretary on the financial and administrative affairs of the Commission (CACFish/V/2016/2); the Five-year Regional Work Programme (2016-2020) of the Commission (CACFish/V/2016/Inf.5); the Financial Regulations of the Commission (CACFish/V/2016/Ref.2); and the Agreement on the Establishment of the Central Asian and Caucasus Regional Fisheries and Aquaculture Commission, (the Agreement) (CACFish/IV/2016/Ref.1).
3. All Member States have an obligation under the Agreement to pay their contributions, on an annual basis, to support the autonomous budget of the Commission, in accordance with the membership contribution scheme set out in the Financial Regulations of the Commission. This scheme comprises the following three 3 weighted components: (i) basic fee (20 percent), which is equally distributed between all members; (ii) a national wealth component (based on the gross domestic product per capita, GDP) (35 percent); and (iii) a fish production component (45 percent).
4. The CACFish estimated budgets for 2016 and 2017 are given in the Annex Table I, which propose an annual budget of 180,000 USD. The total budget remains unchanged as agreed by the Commission for the first years of operation. The Commission originally determined that an annual budget of USD 180,000 would be the minimum budget required for the delivery of basic CACFish operational services and activities (i.e. annual sessions, meetings, and workshops), while also providing some support for implementation of the 5-year Regional Work Programme (RWP).
5. The rationale for this budget strategy was driven on the understanding that Commission's financial self-sufficiency and effective functioning would require a long time.

From the point of administrative and operational functioning as well as the financial self-sufficiency, the autonomous budget was significantly interlinked with the number of members of the Commission. In contrast to an earlier projection that the Commission would have a minimum of 6 Members at the time of its first financial period; the Commission had only 4 members at the time of the Inaugural Session. The current 5 Members of the Commission are largely composed of developing countries that have relatively low fish production despite considerable potentials. If the number of members increases the developing countries among the Member States will have a lower corresponding share in CACFish autonomous budget. This is due to the weighed scheme of contribution, referred to in the above paragraph.

6. The estimated budget principally relies on Member's contributions to the autonomous budget of CACFish. However, on the other hand, Article IX of the Agreement enables the Commission to receive voluntary donations generally or in connection with its specific projects or activities. In June 2016, cumulative arrears reached the sum of 101,442 USD, a case which creates a budget deficit with undesirable delay in the implementation of the second five-year Regional Work Programme (RWP2) of CACFish.

7. Fortunately, a voluntary donation of USD 100,000, made by Turkey in 2016, helped reduce the size of the negative cash flow caused by the arrears. The arrears, however, continue to be a primary operational matter of the Commission. More importantly, the RWP2, which has evolved into its second term in 2016, has not become fully operative mainly due to lack of any singular budget item allocated for it.

8. The RWP2 (2016-2020) has an estimated total budget of USD 1,800,000, of which 850,000 is foreseen for a regional training programme. This pressing situation clearly points an increasing dependence of the RWP2 on external financial resources or an obvious need for a significantly increased autonomous budget to enable a timely delivery of the RWP2 activities and to meet the region's priorities and needs.

CACFish TWO-YEAR (2016-17) AUTONOMOUS BUDGET

9. In accordance with the decision taken at its Fourth Session (2015), the Commission shall normally convene its regular sessions once every two years, starting from 2016. This change, *inter alia*, requires a two-year budgeting process under which Member States' Contribution to CACFish autonomous budget should however still be paid annually.

10. Until the Fourth Session (2015), in the calculation of the annual CACFish budget, two-year prior GDP figures of the International Monetary Fund (IMF) and fish production figures of FAO were used in accordance with the contribution scheme referred to in the paragraph 3 above. Similar methodology was followed in the calculation of 2016 CACFish budget, using the following two parameters: (i) the respective 2014 (the latest available) FAO inland fisheries (inland capture fisheries and inland aquaculture) production figures of each Member State; and (ii) 2014 per capita Gross Domestic Product (GDP) figures of the International Monetary Fund (IMF) for each Member State. The same two 2014 parameters were unavoidably applied to the calculation of CACFish 2017 budget, as figures for 2015 were not yet available.

11. In its adoption of a two-year budget for the period 2016 -2017, the Commission could adopt a budget with varying annual amounts for each of two consecutive years (for example, 2016 budget: USD 180,000; 2017 budget: USD 200,000) or adopt a two-year budget with the

same amount for each year (for example, 2016 budget: USD 180,000; 2017 budget: USD 180,000). If the latter is the case, there are several possible alternative ways that CACFish could use in the adoption of its two-year (2016-17) budget. Included are: (i) Adoption of a budget for 2017, based on the 2016 budget calculation parameters, without a further revision; and (ii) Adoption of a budget for 2017, based on 2016 budget calculation parameters, subject to a later revision, based on 2015 GDP/capita and 2015 fish production figures.

12. A more complicated, but favourable situation would arise if the Commission would welcome new members in 2016 or 2017. In that case the contributions to the two-year budget will have to be amended to reflect the new situation.

13. Table II of the Annex shows the contributions to the autonomous budget required from the 5 Member States in the years 2016 and 2017. In addition, Table III of the Annex shows that there are only slight variations between the budgets approved for 2015 and those proposed for 2016. The main reasons behind the small variations are the fish production volumes reported and the gross domestic product per capita of the Member States, which vary from one year to another.

14. In summary, the proposed autonomous budgets for 2016 and 2017 are based on the following assumptions:

- In setting the two-year budget, it was recognised that USD 180,000 is the minimum level that allows the Commission to undertake the essential administrative and technical activities or services in the short term. This level was agreed in-principle by the Commission at its Inaugural Session (2011).
- The unchanged minimum annual CACFish budget (i.e. USD 180,000) agreed for until the last Session (2015) limits in practice the effective functioning of CACFish, also taking in consideration that unpaid contributions (arrears) represent a considerable sum of the budget.
- The Commission will strive to increase its annual budget to a more comfortable and sustainable level.
- The Members of the Commission did not change from the last year: Armenia, Azerbaijan, Kyrgyzstan Tajikistan and Turkey.
- That most arrears are cleared by the respective Members in 2016.
- Within the limits of the proposed autonomous annual budgets, the RWP2 will not be fully implemented, unless direct external financial resources are made available. It will be required that the Commission determines priority activities under the RWP2.
- The project “Capacity Building for Sustainable Fisheries and Aquaculture Management in Central Asia” (FishCap) is expected to become operational in 2017 under the extended FAO-Turkey Partnership Programme. FishCap, a complementary project to the Central Asia Regional Programme for Fisheries and Aquaculture Development (FishDev–Central Asia) will technically and financially support the implementation of the RWP2.
- The Commission will continue to receive logistic and administrative support from FAO, directly via its Sub-regional Office for Central Asia (SEC), for the period 2016 -2017.

- The Commission and its Secretariat continue their efforts to increase the number of Members.
- The Commission's budget will continue to financially support attendance of delegates and experts at the activities of Commission (i.e. sessions, meetings, workshop, expert- and working group meetings). Listed below are the main reasons for that support, which were agreed earlier and approved by the Commission:
 - (i) Member States, particularly those of developing countries, could not allocate adequate funds for attendance of their national delegate and expert at the activities of Commission;
 - (ii) Organization of activities without granting financial support for attendances is associated with a high risk of having very limited participants that diminishes the effectiveness and visibility of Commission's activities;
 - (iii) A need to support attendance of Non-CACFish Member States at the activities of CACFish in terms of spreading the outcomes of the Commission's activities region-wide and increase the Commission's visibility;
 - (iv) As with Member States, attendance of CACFish non-Member States at the activities of the Commission heavily depends on granting funds for that attendance purpose, and
 - (v) Continuation of collaboration with the Non-CACFish Member States would be a factor that encourages them to reconsider becoming a party to the CACFish Agreement.
- The proposed budget therefore includes expenditures in support of adequate presence of Member's representatives and experts at the scheduled activities as well as limited attendance of Non-Member States. However, the respective provisions of the Article X (Expenses) of the Agreement should be taken into account:

“Expenses of one delegate of a Party or his alternate to attend the annual session of the Commission would be covered under the budget of the Commission. Expenses incurred by other delegates, their alternates, experts and advisers when attending, as government representatives, sessions of the Commission and meetings of its subsidiary bodies including the Technical Advisory Committee, as well as the expenses incurred by observers at such sessions and meetings, shall be borne by the respective governments or organizations. The expenses of experts invited by the Commission to attend, in their individual capacity, sessions of the Commission and meetings of its subsidiary bodies including the Technical Advisory Committee shall be borne by the budget of the Commission.”

15. In view of the above paragraphs, and taking in consideration the need for CACFish to increase membership to become a healthy, effective, and operationally and financially sustainable Commission, as well as the current autonomous budget situation, the CACFish Secretariat has offered to cover in this exceptional case, the participation of two delegates per member state, as well as one delegate of each potential member state to CACFish 5. It is anticipated that this investment will bear fruit for the Commission and its current members through an increase in membership in 2017.

16. Both for 2016 and 2017, the CACFish Secretariat considers an annual budget of USD 180,000 the bare minimum for implementing the decisions of the Commission. As detailed in Annex Table I, the proposed two-year (2016-17) autonomous budget of Commission would consist of the following principal budget items: consultancy services and salaries of temporary administrative/technical staff, travels, administrative services and supplies. Details of individual Member State contributions, calculated based upon this annual budget level of USD 180,000, are provided in Annex Table II.

17. As mentioned above, since the first fiscal year of the Commission (i.e. 2012), the annual autonomous budget of Commission has remained unchanged at the fixed amount of USD 180,000 in accordance with the previous short-term planning projections of the Commission. This minimum budget amount will be insufficient to carry out the activities of Commission, particularly the implementation of the second Regional Work Programme (2016-2020), and the work of its subsidiary body (i.e., the Technical Advisory Committee). In addition, the arrears continue to pose an additional challenge to the CACFish budget and its operations. Therefore, the Secretariat proposes to increase the total annual budget as from 2017, with USD 20,000 for each additional member, anticipating that the Commission would get various new members in the coming years.

18. The proposal of the CACFish Secretariat would imply that if the Commission would have in 2017 one more member as is currently the case, then the total budget would be USD 200,000 for 2017. With two additional members the total annual budget for 2017 would be USD 220,000. In such situation the increase in membership would not result in lower annual contributions to be made by the current members. The contributions of current members would remain largely unchanged. Instead, the new members would contribute additional funds to the total CACFish autonomous budget. An increase in budget would allow for covering the extra expenses related to effective participation of delegates and experts of these new members in CACFish activities, while not limiting the implementation of planned activities under the RWP2.

SUGGESTED ACTION FOR THE COMMISSION

19. In the light of the above considerations, the Commission is invited to: (i) review the proposed first two-year (2016-17) autonomous budget with estimated budgetary expenditures; (ii) decide on the way of calculation of individual annual budgeting for each of two financial years, 2016 and 2017; and (iii) consider the need to increase its annual budget level from 2017 onwards with USD 20,000 for each additional CACFish member.

ANNEX TABLE I:
Estimated autonomous budget for 2016-2017

	2016		2017	
	USD	% share in total	USD	% share in total
<i>Consultancy</i>				
International and national consultants, including secretariat staff	44,400	24.66	49,200	27.33
<i>Contracts</i>				
Contract-services	47,400	26.33	44,270	24.60
<i>Travel</i>				
Duty travel (Secretariat personnel)	9,700	5.38	8,500	4.72
Travel (Bureau, consultants)	9,600	5.33	9,400	5.22
Delegates, participants, experts	44,770	24.87	44,000	24.44
<i>Translation services</i>				
Interpretations/translations	12,300	6.83	13,100	
<i>Operating expenses</i>				
Operating and overhead expenditures	1,800	1.00	1,500	0.83
Subtotal	169,970		169,970	
FAO Servicing cost (5.9%)	10,028	5.90	10,028	5.90
Total	180,000		180,000	

**Annex Table II:
Member contributions to 2016 and 2017 CACFish Autonomous Budget**

	2016 Contribution	2017 Contribution	Wealth			Production*			Basic Fee
	USD	USD	GDP/ capita**	Share	USD	Tonnes	% of total	USD	USD
Armenia	19,796	19,796	3,121	1	3,500	18,720	11,23	9,096	7,200
Azerbaijan	25,275	25,275	7,901	5	17,500	1,183	0.71	575	7,200
Kyrgyzstan	11,091	11,091	1,298	1	3,500	805	0.48	391	7,200
Tajikistan	11,486	11,486	1,113	1	3,500	1,618	0.97	786	7,200
Turkey	112,352	112,352	10,482	10	35,000	144,373	86,61	70,152	7,200
TOTAL	180,000	180,000		18	63,000	166,699	100 %	81,000	36,000

* 2014 inland capture and inland aquaculture production figures of FAO
<http://www.fao.org/fishery/statistics/global-capture-production/query/en> [Accessed: 9 May 2016]

* 2014 per capita Gross Domestic Product (GDP) of the International Monetary Fund (IMF).
<https://www.imf.org/external/pubs/ft/weo/2015/01/weodata/weorept.aspx?pr.x=68&pr.y=13&sy=2014&ey=2016&scsm=1&ssd=1&sort=country&ds=.&br=1&c=911%2C912%2C923%2C186%2C917&s=NGDPDPC&grp=0&a=> [Accessed: 9 May 2016]

Annual budget for 2016 and 2017: USD 180,000

BUDGET COMPONENTS

Wealth	63,000	35%
Production	81,000	45%
Basic fee	36,000	20%
TOTAL	180,000	100%

WEALTH CATEGORIES

GDP	
USD	Index
<999	0
1,000-3,999	1
4,000-5,999	3
6,000-9,999	5
≥10 000	10

**Annex Table III:
2015-16 Variations in Member's Contributions to CACFish autonomous budget**

Member States	National Contribution (USD) 2015	% share in total contribution	National Contribution (USD) 2016	% share in total contribution	% variation (2015-2016)
Armenia	18,179	10.10%	19,796	11.00%	0.90%
Azerbaijan	25,212	14.01%	25,275	14.04%	0.03%
Kyrgyzstan	10,849	6.03%	11,091	6.16%	0.13%
Tajikistan	11,422	6.35%	11,486	6.38%	0.04%
Turkey	114,338	63.52%	112,352	62.42%	-1.10%
Total	180,000	100%	180,000	100%	