



SFS/DM/SWIOFC/19/12 E

## SOUTHWEST INDIAN OCEAN FISHERIES COMMISSION

### Tenth Session

Maldives, 1-3 October 2019

### OPTIONS FOR A SWIOFC FINANCING MECHANISM

At the 6<sup>th</sup> SWIOFC Session (Flic-en-Flac, Mauritius, 8–11 October 2012), SWIOFC Members expressed two desires: i) a financial structure that would allow for easy contributions, such as a multidonor trust fund to be located in a local account; and ii) the Secretariat of the Commission be located in a coastal member country. While the latter request was addressed with the relocation in July 2015 of the SWIOFC Secretariat in Maputo, Mozambique, the issue of a financing mechanism to support the work of the Commission was continued to be discussed at the three following sessions but without significant progress. In the meantime, funds in the FAO's Regular Programme devoted to the SWIOFC reduced to a minimum and the Commission had to rely on the kind support of external donors<sup>1</sup> to be able to carry out its work and activities.

Partners provided organizational, travel, interpretation and translation support to working groups, working parties and sessions of the Commission. The behind the scenes intense collaboration and coordination between partners and the Secretariat allowed successful preparation of meetings and facilitated some of the arrangements<sup>2</sup>, especially in the sometime unpredictable context of the region, but it also has some serious disadvantages. First amongst these is the inability of the SWIOFC Secretariat to work on a budget that responds directly to Members needs and to which they can hold the Secretariat responsible. It has also led to the Secretariat going cap in hand to various projects and partners to seek funds, an uncertain situation taking a lot of unnecessary time and diffidence.

Therefore, in order to address the issue adequately, with the approval of the SWIOFC Bureau, a consultant<sup>3</sup> was requested to undertake a study, in parallel with the Policy Brief for the establishment of an eventual SWIO FFA, which provided the basis to allow the Secretariat to present this Session with three clear options and their pros and cons for a possible financing mechanism of the Commission and its Secretariat.

Under this agenda item Member Countries are invited to consider the options proposed for the SWIOFC financing mechanism and decide on endorsing one of the them.

<sup>1</sup> EAF-Nansen, IOC, Sida, Smartfish, SWIOFish1, SWIOFP, World Bank and WWF.

<sup>2</sup> Travel organized by FAO has some distinct security, insurance and administrative requirements that increasingly require much pre-planning and smooth execution. Members sometimes leave their nominations to SWIOFC meetings to the last moment or request last minute changes that the FAO administrative procedures would not allow.

<sup>3</sup> Mr Aubrey Harris, former SWIOFC Secretary. His consultancy was funded by the World Bank-SWIOFish1 project.

## Options for a SWIOFC financing mechanism

Options proposed for a financing mechanism of SWIOFC are:

1. Upgrade the Commission status from an Article VI to an Article XIV Commission;
2. Minimal Financial Contributions from Member Countries;
3. Establish a Multilateral Trust Fund to receive voluntary funding from Members Countries and donors.

### *1. Upgrade the Commission status from an Article VI to an Article XIV Commission*

Discussions on the possible re-orientation of SWIOFC as an Article XIV Commission started in the ending stages of the SWIOFP project and was considered as part of strengthening options for the body<sup>4</sup> at its 6<sup>th</sup> Session in Mauritius 2012. However, at that session members decided to review SWIOFC rules of procedure, set up a Working Party on Collaboration and Cooperation in Tuna Fisheries, but not to upgrade the Commission to an Article XIV body although, at that time, it was under consideration by some Members.

#### Pros

As an article XIV body, SWIOFC would have mandatory management powers and could adopt binding conservation and management measures like IOTC. The benefits of an Article XIV body were reviewed in relation to IOTC<sup>5</sup> in 2016 and more recently in a discussion paper on the possible reorientation<sup>6</sup> of the Western Central Atlantic Fishery Commission (WECAFC). They are presented in Table 1 below.

**Table 1. Institutional and administrative benefits of an Article XIV body**

Institutional Benefits
<ul style="list-style-type: none"><li>• Well-known institutional structure which has been tested and implemented widely;</li><li>• Automatic access to established human resource, administrative and financial systems, practices and procedures;</li><li>• Legal services available to members;</li><li>• Security and access to a comprehensive set of privileges and immunities established between FAO and member countries;</li><li>• Establishment process clearly outlined in the FAO's regulations and practice;</li><li>• Access to an established regional framework of offices and staff which provides a safety net when working in the field and is helpful for delivery of in-country activities, such as meeting organization, paying tickets and per-diems etc;</li><li>• Easy access to technical staff/expertise within FAO on a range of fisheries matters;</li><li>• Status within the international community as a FAO/UN organization;</li><li>• 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;</li><li>• Some countries may still feel that being part of the FAO system provides them with some level of support and protection when dealing with developed countries;</li><li>• FAO will ensure neutrality of the body;</li><li>• FAO ability to assist if things go wrong;</li><li>• FAO can potentially act as an intermediary with member and non-member countries over issues such as non-payment of fees and non-engagement.</li><li>• Some potential donors may be more interested to work through a body which is linked to/under FAO, as FAO will ensure the use of funds following internationally agreed procedures;</li><li>• Facilitates the support of poor members by wealthier members, including through an agreed formula for contributions;</li><li>• Facilitates joint statements within the UN General Assembly and opportunity to influence through FAO developments at global level;</li><li>• Rapid access to FAO data and information generated at global level and within the region</li></ul>

<sup>4</sup> Swan, J. 2012 An assessment on options to render SWIOFC more effective in meeting the growing needs of countries. SWIOFP consultancy report for the SWIOFC.

<sup>5</sup> <https://www.iotc.org/documents/cost-and-benefit-indian-ocean-tuna-commission-iotc-within-and-outside-food-and-agricultu-1>

<sup>6</sup> <http://www.fao.org/fi/static-media/MeetingDocuments/WECAFC/WECAFC2019/reorientation/discussionpaperEN.pdf>

Administrative Benefits
<ul style="list-style-type: none"> <li>• Financial and administrative support systems and documentation are regularly updated and provide the framework for the provision of a professional and auditable process;</li> <li>• The FAO office network in the region facilitates linkage/collaboration with other sectors, transfers of funds and monitoring of activities as necessary;</li> <li>• The Human Resource systems provide a consistent global approach to salary scales and entitlement and a rigorous recruitment and staff management system;</li> <li>• FAO conducts a system of rolling audits of its work units;</li> <li>• Benefits to staff as members of the UN systems for pay and conditions;</li> <li>• FAO has an established IT network and support capacity;</li> <li>• Use can be made of FAO's media service.</li> </ul>

### Cons

Article XIV bodies are funded directly by the Member Countries according to a scale of contribution agreed by the Members. All SWIOFC countries are members of the IOTC and thus they are already familiar with the procedures of an FAO article XIV body since they have to make their contribution annually and discuss its level and use in annual meetings of the IOTC Financial Committee. Although the Members' contributions to a SWIOFC upgraded to an Article XIV body should be lower than those for IOTC (Table 2), the annual contribution paid by SWIOFC Members provide a useful indication.

**Table 2. IOTC membership payments by SWIOFC members 2014-2018 (in USD)**

Country	2014	2015	2016	2017	2018	Arrears
Comoros	25,264	24,805	37,152	30,752	14,286	70,602
France	121,266	129,309	149,074	212,347	146,426	0
Kenya	22,410	14,748	28,355	18,977	145,993	12,102
Madagascar	26,550	10,542	8,133	56,675	52,044	33,308
Maldives	101,409	109,867	124,358	128,388	137,794	0
Mauritius	50,295	53,976	62,577	61,764	67,033	0
Mozambique	23,484	25,946	30,291	30,291	29,747	31,488
Seychelles	89,756	94,369	107,216	195,579	209,654	0
Somalia	4,792	10,233	10,233	12,681	13,468	26,026
South Africa	n/a	n/a	57,544	60,063	123,342	0
Tanzania	24,308	27,495	32,002	31,973	35,114	0
Yemen	66,891	74,008	87,884	92,090	90,744	464,109

## **2. Minimal Financial Contributions from Member Countries**

This proposal was discussed extensively at the 7<sup>th</sup> SWIOFC Session. In that occasion, only one country (i.e. Mauritius) offered to contribute. The discussions at that time pointed out that Member Countries contributed to several other organizations and agreements in the region such as the IOSEA Marine Turtle MOU<sup>7</sup> from which they received significantly smaller benefits than from SWIOFC.

A fixed contribution, in a range between 5,000 and 10,000 USD, would be paid annually by each Member Country. As the total obtained (between 60,000 and 120,000 USD annually) would be far from sufficient to cover all expenses of the Commission and organize its meetings, additional external funds should continue to be secured from the SWIOFish1 project or other donors.

<sup>7</sup> All SWIOFC Members, except Somalia, are also members of the "Memorandum of Understanding on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia" (IOSEA Marine Turtle MOU), a non-binding Memorandum of Understanding. Their minimum voluntary contributions as of 2014 were: USD 750 for members other than France (USD 50,000) and South Africa (USD 25,000). These are sometimes paid triennially to reduce administrative costs. ([https://www.cms.int/iosea-turtles/sites/default/files/document/CMS\\_IOSEA%20SS7\\_MR-1\\_Meeting%20REPORT%20including%20annexes.pdf](https://www.cms.int/iosea-turtles/sites/default/files/document/CMS_IOSEA%20SS7_MR-1_Meeting%20REPORT%20including%20annexes.pdf)).

### Pros

A token contribution of Members would increase ownership and demonstrate their support to the Commission, as well as encourage other funding partners to imbed their project activities within the Secretariat.

In addition, this would allow the Secretariat to present a budget to the Commission and Members could decide on the use of these funds.

### Cons

The response from Members to voluntary contribution (see more details below in option 3) has been quite disappointing so far and discouraged the partners and donors currently providing considerable financial support to the SWIOFC that this could be a sustainable financial mechanism. The continued support from donors would still be necessary in order to maintain the Commission operational.

### ***3. Establish a Multilateral Trust Fund to receive voluntary funding from Members Countries and donors***

Setting up a multilateral trust fund for a sub-regional body such as the SWIOFC is not a straightforward procedure. Various options were explored by the Secretariat and the most feasible for the SWIOFC seemed to be setting up a so-called “Umbrella Programme” with a detailed plan of activities on how the funds would be allocated and spent. To start an Umbrella Programme it is necessary that a resource partner provides an overall initial budget allocation to the Organization through a funding agreement. Once it has been set up, the fund can receive further contributions from partners and voluntary contributions from Member Countries.

The Umbrella Programme gives the partners and Member Countries the flexibility to earmark or un-earmark their contributions. Only one programme document is prepared for the entire programme. A good example of an Umbrella Programme is the African Solidarity Trust Fund, where African countries are contributing to the development processes of other countries in their region, through a pooled funding mechanism administered by FAO.

However, the Secretariat cannot initiate this process without some form of commitment about voluntary contributions of SWIOFC members. Prior to the 9<sup>th</sup> Session, Members were provided with background information on this matter by the Secretariat and, following the Session, a letter was sent to Member Countries inquiring about their availability to provide voluntary contributions. Only one Member (i.e. Maldives) replied with a preliminary commitment. Without several Member Countries expressing their commitment to provide contributions, FAO would be apprehensive of setting up a trust fund and it is unlikely that a resource partner would provide the seed money to initiate the Umbrella Programme.

### Pros

The establishment of a multilateral trust fund under an Umbrella Programme could provide the following advantages for the SWIOFC: (i) Create a mechanism for funding the SWIOFC that would be managed under the authority of the Commission; (ii) Demonstrate the willingness and commitment of the Members to actually support the SWIOFC; and (iii) Greatly facilitate the receipt of funding from external resource partners and donors.

The establishment of the multilateral trust fund would allow the Secretariat to present a budget to the Commission and Members could decide on the use of the funds.

Partners projects have been reluctant to directly fund the Commission mainly because of a 13% project support cost, or because the use of the funds would not be under the direct control of the Commission. Both these reasons do no longer exist. Project servicing costs are now significantly lower having been reduced as low as 5.9% for the WECAFC, another FAO Article VI RFB, and this precedent could be requested to be extended to SWIOFC as well.

### Cons

Although the establishment of a multilateral trust fund would be a great improvement for the Commission and facilitate significantly disbursement of funds from donors, it would not ensure that the same amount of money be available every year to support a regular budget of the Commission.

An initial contribution from a donor is necessary to start the process establishing the Umbrella Programme.

The Secretariat would need administrative support to manage the Umbrella Programme and the trust fund. Given that FAO internal procedures are rather complex, several months would be needed to have the Programme functional.