
10TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Manta, Ecuador, 9, 10 & 14 February 2023

FAC 10 – Doc 09 SPRFMO Budget Formula

Secretariat

Background

Regulation 4.7 of the Financial Regulations of the Commission (FR) describes the formula used to determine the amount that each Member of the Commission will contribute to the budget and ends with the sentence “*The Commission shall review the budget formula described in paragraph 4.7 at its annual meeting in 2020*”. The review date was set in 2018.

This review date was noted by the 1st Performance Review panel who *acknowledged “that the 2020 review of the budget formula needs to take into account the durability of the formula so that the necessary work of the organisation drives the level of budget, rather than the level of individual contributions”*.

By 2020, the budget formula had still not been fully implemented and neither the FAC7-report nor the COMM8-report records any discussion on reviewing the budget formula. Since then, SPRFMO annual meetings have been held in a virtual and time limited environment and efforts to fully apply the formula have continued. Last year the COMM10 report records that “*The Chairperson of the FAC and some Members highlighted that for the first time in the history of SPRFMO, the organisation was to apply the budget formula as specified in the Financial Regulations. The Commission noted that this is a significant step for a solid budget footing moving forward and in minimising year-on-year fluctuations*”.

This paper does not seek to review the budget formula. However, considering the 2018 commitment and the subsequent efforts, particularly during challenging years, which resulted in the 2022 application of the formula it seems timely to provide a summary paper.

This summary paper shows Member contributions since 2018 and compares the adopted contributions with what would have been payable using the current formula as specified in the FR (refer Annex 1).

FAC10 considerations:

The FAC10 is invited to:

- *note* the information contained in this paper and consider the commitment to review the budget formula in Financial Regulation 4.7.
- *consider* other processes (such as the 2nd performance review) which may provide opportunities for additional input into a possible review of the budget formula.
- *make* any comments or recommendations in relation to the SPRFMO budget formula as deemed appropriate.



1. Formula Member Contributions vs. Actual Member Contributions

The pie chart below shows the medium-term average percent contribution for each Member based on the adopted annual schedule of Member contributions over 5 financial years from 2018-19 to 2022-23. This information does not consider income from “Other sources”. As Panama has only just attained Member status it is not shown in the Pie chart and other graphs, but for comparison its current percentage contribution is expected to be around 2.3%.

Figure 1 is only a snapshot and readers should note that the formula is designed to be responsive to changes in activity, wealth and catches and hence the percentages shown below are expected to vary.

Figure 1: Medium-term average Member contributions from 2018-19 to 2022-23 (excluding income from “other sources”)

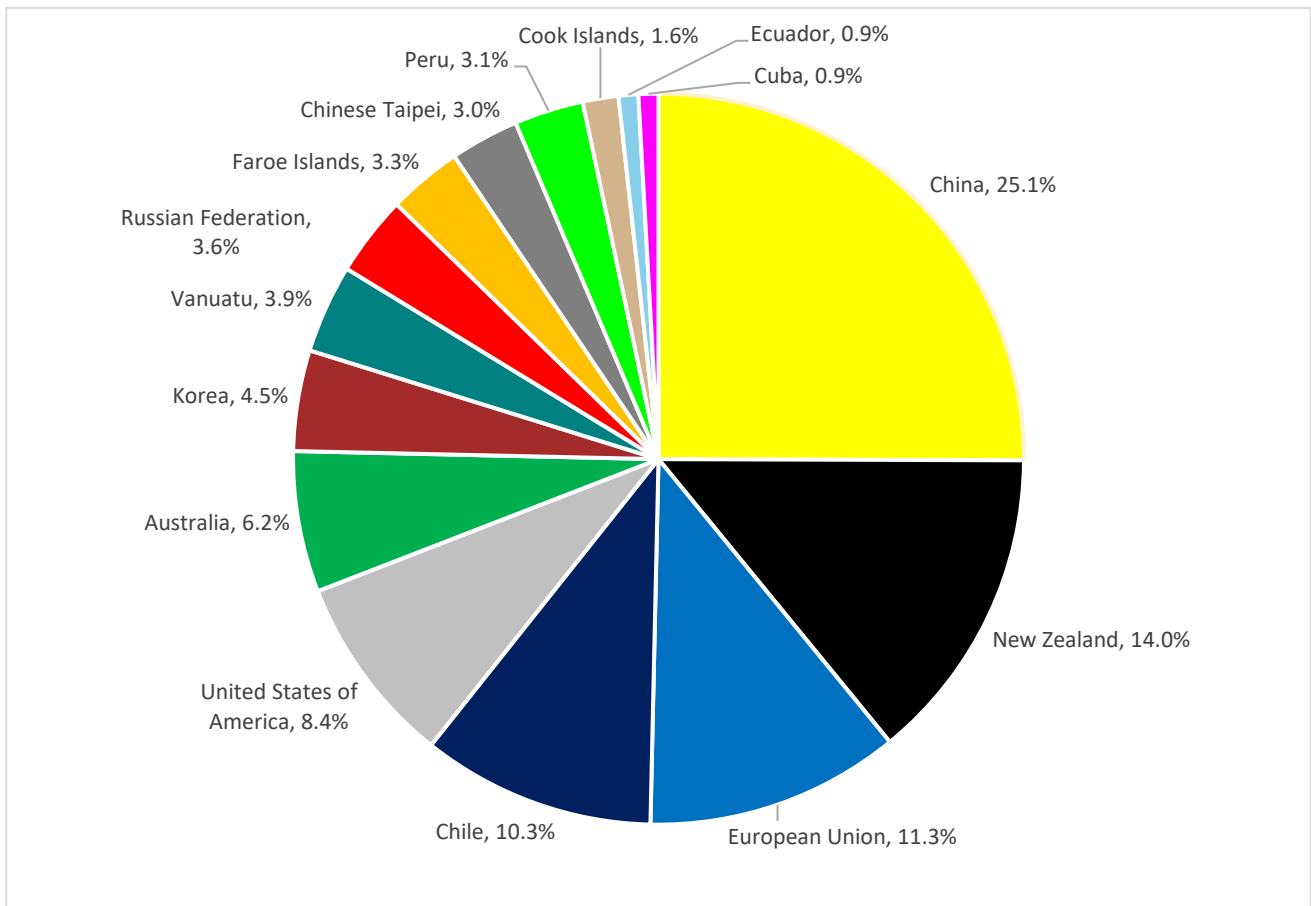


Table 1 (overleaf) compares individual actual members contributions with the results of applying the current formula (note percentages are used to eliminate the effects of budgetary variations from this comparison). The final 2 columns in Table 1 are the average across the 5 years alongside a measure of the coefficient of variation (CV). The CV is the ratio of the standard deviation to the mean and shows the extent of variability in relation to the mean of the population. The higher the CV, the greater the dispersion.

Table 1 shows that for most Members the variation in % contributions over the past 5 years have been very low. The notable exceptions are the Cook Islands and to a much lesser extent Russia, Vanuatu, and Chinese Taipei.



The Table also shows that for most Members strictly applying the formula would have reduced the variation in % contributions. The exceptions to this are Chile, Korea, and Cuba where their contributions would have been more variable (although still extremely stable).

Table 1: Individual annual % Member contributions from 2018-19 to 2022-23
(actual contributions compared with formula predicted contributions)

Member	Method	2018-19	2019-20	2020-21	2021-22	2022-23	Average	CV
China	Actual	24.8%	25.2%	25.5%	24.9%	24.9%	25.1%	0.01
	Formula	24.9%	24.6%	24.8%	24.7%	25.3%	24.8%	0.01
New Zealand	Actual	14.6%	14.4%	14.3%	13.7%	13.2%	14.0%	0.04
	Formula	14.1%	14.1%	13.6%	13.5%	13.4%	13.7%	0.02
EU	Actual	12.0%	11.6%	11.4%	11.0%	10.3%	11.3%	0.06
	Formula	11.3%	11.3%	10.9%	10.5%	10.5%	10.9%	0.04
Chile	Actual	9.9%	10.4%	10.5%	10.5%	10.5%	10.3%	0.03
	Formula	9.8%	10.4%	10.7%	10.4%	9.1%	10.1%	0.06
USA	Actual	7.9%	8.3%	8.4%	8.9%	8.6%	8.4%	0.04
	Formula	8.3%	8.6%	8.6%	8.8%	8.8%	8.6%	0.02
Australia	Actual	6.7%	6.3%	6.3%	6.0%	5.9%	6.2%	0.05
	Formula	6.3%	6.2%	6.0%	5.9%	6.0%	6.1%	0.03
Korea	Actual	4.5%	4.4%	4.5%	4.5%	4.5%	4.5%	0.01
	Formula	4.3%	4.3%	4.3%	4.4%	4.5%	4.4%	0.03
Vanuatu	Actual	4.6%	4.0%	3.8%	3.7%	3.4%	3.9%	0.11
	Formula	4.4%	3.9%	3.7%	3.6%	3.5%	3.8%	0.09
Russia	Actual	3.1%	3.3%	3.3%	3.8%	4.3%	3.6%	0.14
	Formula	3.8%	3.7%	3.8%	4.2%	4.3%	4.0%	0.07
Faroe Islands	Actual	3.0%	3.1%	3.2%	3.6%	3.6%	3.3%	0.09
	Formula	3.3%	3.4%	3.6%	3.5%	3.6%	3.5%	0.04
Chinese Taipei	Actual	2.7%	2.9%	2.9%	3.4%	3.4%	3.0%	0.11
	Formula	3.5%	3.5%	3.3%	3.3%	3.5%	3.4%	0.03
Peru	Actual	3.3%	3.3%	3.1%	3.0%	2.6%	3.1%	0.09
	Formula	3.2%	3.2%	3.0%	2.7%	2.7%	3.0%	0.08
Cook Islands	Actual	1.2%	1.1%	1.1%	1.3%	3.1%	1.6%	0.54
	Formula	1.1%	1.1%	2.0%	2.5%	3.1%	2.0%	0.44
Ecuador	Actual	0.9%	0.9%	0.9%	0.9%	0.8%	0.9%	0.03
	Formula	0.8%	0.9%	0.9%	0.9%	0.8%	0.9%	0.03
Cuba	Actual	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.04
	Formula	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.05

The final five figures show the same information as in Table 1 but in graphical form. These figures show how contributions have changed over the 5-year period and make it easier to identify differences between actual and formula predicted % contributions.

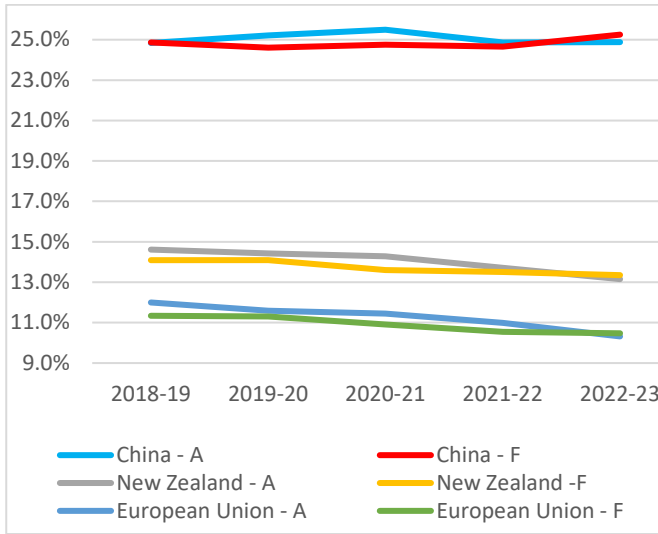


Figure 1: China, New Zealand, European Union

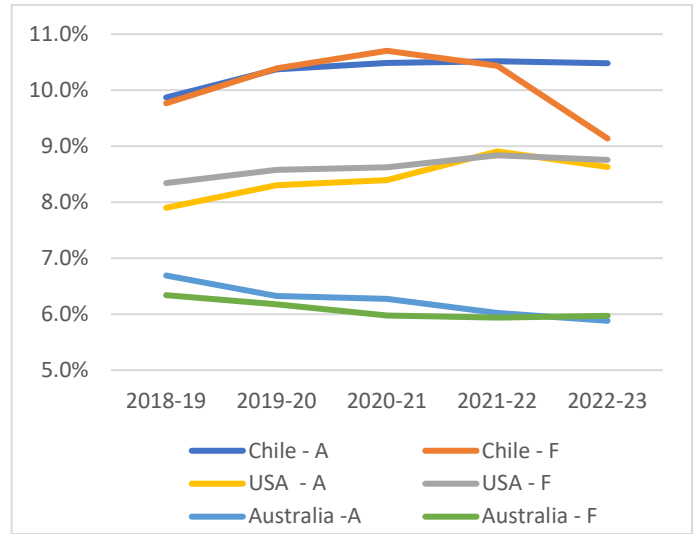


Figure 2: Chile, United States of America, Australia

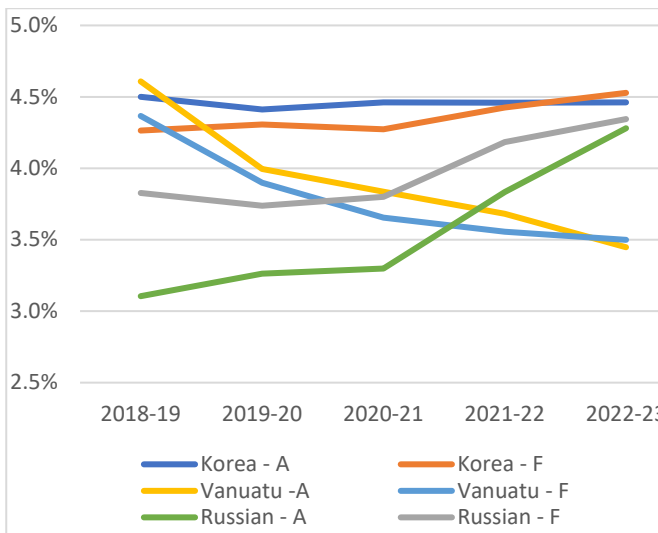


Figure 3: Korea, Russian Federation, Vanuatu

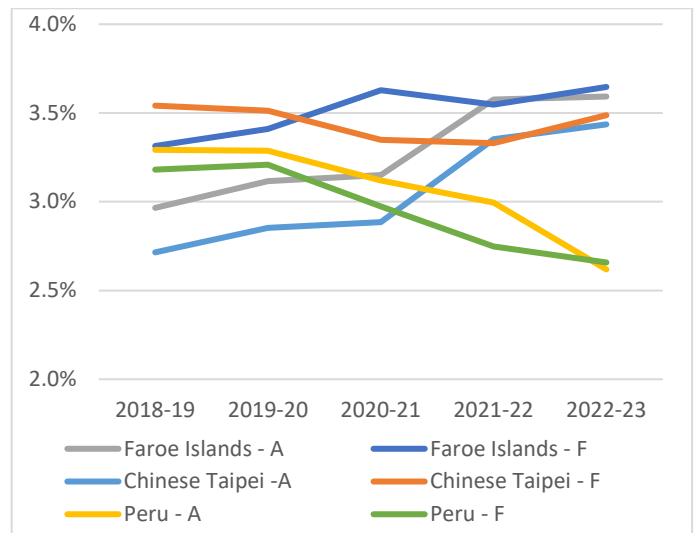


Figure 4: Faroe Islands, Chinese Taipei, Peru

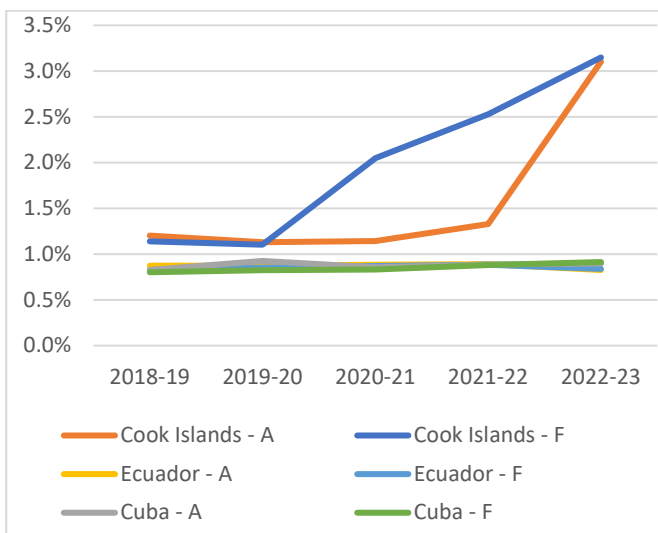


Figure 5: Cook Islands, Cuba, Ecuador



Annex 1: - SPRFMO Member Contributions Budget Formula (FR4.7)

Member contributions are the primary source of income of the Organisation and each Member of the Commission shall contribute to the annual budget. Annual contributions are assessed in New Zealand dollars and SPRFMO financial year starts on the 1st of July and ends on the 30th of June of the following year.

In accordance with the formula determined in Financial Regulation 4.7, Members' contributions shall be calculated in accordance with the following formula according to Article 15 paragraph 2 of the Convention:

“ a) a base fee of 20%

i. 10% of which shall be divided in equal shares between all Members of the Commission except that any developing country Member of the Commission that was not engaged in fishing for fishery resources in the previous calendar year 2 years prior to the year in which the budget is adopted shall have its notional share reduced by 25% with the consequent shortfall apportioned equally among the other Members of the Commission; and

ii. 10% of which shall be calculated by summing the total number of years in which Members of the Commission engaged in fishing over a five year period which begins six years before the calendar year in which the budget is adopted, and then assigning the 10% fee proportionally amongst the active Members, based upon the number of years each Member has engaged in fishing (as defined in Article 1(g)) in this period;

b) a national wealth component of 30%, 15% of which shall be divided among the Members of the Commission according to their respective Gross National Income (as defined by the World Bank, or equivalent institution available), and 15% divided among Members according to their Gross National Income per capita (as defined by the World Bank, or equivalent institution available); and

c) a catch component of 50%, 37.5% of which shall be divided among the Members of the Commission fishing for pelagic fishery resources and 12.5% divided among Members fishing for demersal fishery resources. The catch component shall be calculated on the basis of a five-year average of each Member's respective catch limits and quota allocations prescribed under SPRFMO CMMs, where available, or otherwise a five year average of its total reported annual catch of the relevant fishery resources, in each case beginning six years before the calendar year in which the budget is adopted, subject to:

*i. a factor of 0.5 being applied to the five-year average for catches of *Dosidicus gigas*;*

ii. where a catch limit or quota applies to a fishery resource that straddles the Convention Area and an area under a Member's National Jurisdiction, then each of that Member's relevant catch contributions for the purposes of calculating the five year average referred to above shall be derived using the proportion of its total catch taken from the Convention Area over the preceding ten-year period, the most recent of which shall be calculated using the figures from the period beginning twelve years before the calendar year in which the budget is adopted.”

Notes:

Developing Country non-fishing = a developing country Member of the Commission that was not engaged in fishing for fishery resources (including transshipment) in the previous calendar year 2 years prior to the year in which the budget is adopted.

For the purposes of the SPRFMO budget calculation Developing Countries are those listed in the Annual UN publication “World Economic Situation and Prospects” as being in any of the following categories: Economies in Transition, Developing Economies, Least Developed countries and /or Small Island Developing States.



Fishing Activity (5 yrs) = the total number of years in which Members of the Commission engaged in fishing over a five-year period which begins six years before the calendar year in which the budget is adopted. This information is derived from Secretariat records and includes transshipments.

GNI and GNI per capita = the latest available figures for Gross National Income/Gross National income per capita using the World Bank (Atlas method) figures where possible. In rare cases alternative comparable measures are used.

Pelagic Limit (CJM) = the five-year average of each Member's respective catch limits allocations prescribed under SPRFMO CMM 01 (noting Chile and Ecuador's catch limit straddles and so is subject to an additional calculation dependent upon the proportion of catch taken from the Convention Area).

Pelagic (other) = the five-year average of each Member's respective pelagic catch amounts for species which do not have an associated quota or limit.

Limit Bottom (Demersal) = the five-year average of each Member's respective catch limits and quota allocations prescribed under SPRFMO CMM 03a and associated CMMs (includes all current exploratory fisheries).

Squid catch = the five-year average of each Member's respective squid catches.

"Weighted pelagic Limits" = the application of the factor of 0.5 being applied to the five-year average for catches of *Dosidicus gigas* (all other pelagic limits and catches have a factor of 1.0 by default).