

INTER-AMERICAN TROPICAL TUNA COMMISSION

WORKING GROUP ON FINANCE

10TH MEETING

ANTIGUA, GUATEMALA
25 SEPTEMBER 2010

MINUTES OF THE MEETING

1. Opening of the meeting

Mr. Brad Wiley of the United States, Chair of the Working Group of Finance, opened the meeting at 3:25 p.m. on September 25, 2010.

2. Adoption of the agenda

The agenda was adopted as presented.

3. Review of the current formula for calculating contributions to the IATTC budget

Before proceeding with the Secretariat's presentation on the previous budget contribution formula, the Chair noted that the Working Group had not met since the last formula was agreed in June of 2007. He stated that, in his view, the responsibility of the Working Group at this time was to reach agreement on a contribution formula for application under the Antigua Convention, and that the Commission plenary, rather than the Finance Working Group, was the venue for discussing the proposed budget for fiscal year (FY) 2011. The participants in the Working Group agreed.

The Secretariat gave a presentation on the previous contribution formula, established in IATTC Resolution [C-07-05](#).

4. Consideration of the formula to be adopted for determining contributions to the budget pursuant to the Antigua Convention

The Chair provided a review of the relevant guidance in the Antigua Convention regarding the adoption of a budget contribution scheme, and noted that such a formula needs to be equitable and transparent, and must be adopted by consensus. The participants agreed that the structure of the previous contribution formula would serve as the basis for initial discussions regarding the search for a formula to be applied under the Antigua Convention, recognizing that the previous formula had been adopted by consensus following nine meetings of the Working Group over the course of a number of years.

The Chair asked for general comments regarding the previous contribution formula, whether it would be an acceptable formula for use under the Antigua Convention as well, and if not, for suggestions as to how it should be modified. Some participants expressed a preference for eliminating the utilization component of the previous formula, noting that utilization is no longer required as a component under the Antigua Convention. Concerns were expressed that utilization, as currently defined and applied, lacked both transparency and relevance to modern circumstances. Others expressed the view that the previous contribution formula should be adopted for use under the Antigua Convention, and failing that, utilization should remain as a component of the formula, to some degree.

Some participants also expressed a desire to re-examine the current weighting category scheme that was based on gross national income (GNI) per capita, and consider expanding the number of categories and/or re-arranging the category boundaries. There was also some discussion as to whether GNI per capita was the best metric upon which to base weighting categories, noting that it might not produce a fair result in the instances of very large economies with very low GNI per capita figures. GNI overall was identified

as one possible alternative, although it was recognized that a number of other possible metrics also exist.

A number of participants stressed that the primary driver of contributions should be resource extraction, with those catching the most fish contributing more to the budget. In line with this concept, one suggestion was that the catch category found in the previous formula should be applied without GNI weighting. Another general concept that seemed to have some support was the idea that the budget should be shouldered by developed and developing countries in a proportional manner, and that developing countries, as a general matter, should pay proportionally smaller contributions, which was the objective of the previous GNI per capita weighting categories as applied to three of the four formula components. It was also noted that, as a practical matter, any proposed formulation which results in drastic increases (40-50% or more) to the contributions of any given member would have trouble gaining consensus. In response, one suggestion was that any substantial change from the previous formula might need to be phased in gradually over a number of years.

Following this general discussion, the Chair noted that further discussions might be more productive if centered on one or more concrete formulation proposals from one or more participants. To that end, the Working Group agreed that a small informal working group of interested participants would meet in the following week to see if example formulations could be developed. This working group met in the evening on September 26 and suggested that a set of three analyses be performed, examining a range of options for a gradual reduction of the utilization component within the contribution formula. A smaller technical group met with members of the Secretariat the following morning to produce these analyses. The Chair also received a proposal, outside of the context of the informal working group, to examine a proposal to expand the GNI per capita categories to include a new category of 6, which would be applied to the most developed countries.

The Working Group on Finance reconvened at 8:30 a.m. on September 30 in order to examine these options. The analyses presented illustrated the effects of various scenarios for reducing the amount of utilization in the formula through a stepwise process. The first scenario demonstrated the incremental impacts of reducing the utilization component, while increasing the catch component correspondingly. The second scenario examined the possibility of first decreasing utilization while increasing the base component. In the second step, the utilization component would be further reduced with a corresponding increase in the operational component. The third scenario showed the incremental changes that would result from a step-wise reduction of utilization and reallocating the difference equally among the other three formula components.

Most participants expressed general agreement that the utilization component should be gradually reduced. A number of participants expressed support for the first scenario of reducing the utilization component while increasing the catch component, noting that, generally speaking, this approach resulted in the smallest changes relative to the current formula. One Member indicated that the approach of reallocating all of utilization to catch was not acceptable, and expressed support for something closer to the second scenario, reallocating at least part of the reduction in utilization to the base contribution component, as the relative impacts of this change would be shared equally by all participants. A few participants expressed the opinion that reallocating from utilization to the base component did not produce a favorable result, because it resulted in increases that might be difficult for some developing countries. The Working Group noted that under any step-wise scenario, the transition between steps need not necessarily occur at yearly intervals. If desired, steps could be implemented over greater time intervals.

The proposal presented by El Salvador to expand the GNI weighting categories to include a new category of 6 was also examined. No objections to the general principle of category expansion to increase the relative burden on developed states were raised. However, it was suggested that perhaps a new multiplier of 6 might be too great, and the Working Group also examined the possibility of creating a new GNI category of 5.5.

The participants then requested that a new set of analyses be produced, incorporating into the three of the scenarios being discussed the creation of a new GNI weighting category of 5.5 to be applied to members whose GNI is greater than USD 21,000. The Working Group was then recessed until these tables could be distributed and discussed within the context of an informal working group.

When the informal working group was reconvened and after much discussion, it was apparent that there was no consensus on a long-term configuration for a contribution formula. Specifically, although there was agreement that the utilization category could be reduced and reapportioned to another category, there were differences of opinion as to whether utilization should be completely phased out over time, and to the extent that it might be reduced to a level approaching zero, where to shift the burden within the other components of the formula.

Having failed to reach consensus on a permanent formula configuration, and recognizing that the Working Group would need to continue its deliberations, the informal working group then addressed the need for a contribution formula to be used in the short term. Again, a range of views were expressed, but thanks to significant flexibility and compromise from participants with different interests, the group arrived at a proposal for a one-year *ad hoc* arrangement for calculating the contributions to the 2011 budget, with the understanding that all members desired to make progress towards a long-term solution for consideration by the Commission at its 2011 annual meeting. The proposal forwarded to the Working Group included an expansion of the GNI categories to include a new weighting category of 5.5, reduced the percentage of the utilization component in the current formula from 15% to 10%, and reallocated that percentage to the catch category, thus increasing it from 65% to 70%. The Working Group approved this proposal and recommended it for consideration by the Commission.

5. Other business

None.

6. Recommendation to the Commission

The Working Group approved the proposal for a one-year contribution formula as outlined by the informal working group and recommended it for consideration by the Commission. The Chair of the Working Group worked with the Secretariat to draft a proposal consistent with this recommendation, which was subsequently forwarded for the Commission's consideration (Proposal I-1).

The Working Group agreed that the Chair should establish an informal virtual working group prior to the next meeting of the Working Group, with the goal of making further progress towards a permanent contribution formula in advance of the Commission's next annual meeting.

7. Adjournment

The 10th Meeting of the Working Group on Finance was adjourned on the afternoon of October 1, 2010.

INTER-AMERICAN TROPICAL TUNA COMMISSION

81ST MEETING

ANTIGUA (GUATEMALA)
27 SEPTEMBER – 1 OCTOBER 2010

PROPOSAL I-1

CALCULATING CONTRIBUTIONS TO THE IATTC BUDGET

The Inter-American Tropical Tuna Commission (IATTC):

Recognizing the importance of equity and stability in the calculation of the contributions of members to the Commission’s budget, and of fully funding the work of the Commission so that it may fulfill its duties and responsibilities,

Giving due consideration to the principle that the proportion of the expenses paid by each member should be equitable, transparent, and related to its proportion of the total catch of tunas from the Convention Area and other components of the formula, as well as to the consensus of the members that other factors should be considered in determining their proportional contributions;

Taking into account the relevant provisions of the Antigua Convention;

Resolves as follows:

1. The following elements shall be used in the determination of the contributions of members to the IATTC budget for 2011:
 - A. Each member’s contribution shall be calculated as follows: 10% of the total budget, minus any special contributions, shall be divided equally among all the members (base contribution); the remaining 90% shall be allocated among members, weighted by their Gross National Income (GNI) category in accordance with the following:
 - i. an operational component (10%);
 - ii. the catches by their flag vessels (70%);
 - iii. their utilization of tuna from the Convention Area (10%).

GNI category	Range (USD)
0.5	≤ 1,499
1	1,500-3,499
2	3,500-6,499
3	6,500-10,999
4	11,000-15,999
5	16,000-20,999
5.5	≥ 21,000

Table 1. GNI categories used for allocating contributions

- B. The weighting factors used in calculating contributions shall be the same as the GNI categories.
- C. Each member’s catch contribution shall be based on the annual average of the catches by its flag vessels in the three most recent years for which catch data are available.
- D. In the determination of a member’s utilization, 50% of the tuna loins included in the calculation shall be attributed to the member that exported the loins and 50% to the member that imported

them.

- E. In the case of a member that is also a member of the Western and Central Pacific Fisheries Commission, only 50% of catches made by its flag vessels in the overlap area between the two Commissions shall be included in the calculation of that member's contribution based on catch.
2. The Working Group on Finance shall continue its deliberations on the funding formula in order to achieve consensus among the members of the Commission on the use of the formula for determining each member's contribution to the IATTC budget for 2012 and for the longer term.

Example Budget 6,155,682	Captura (t)	Utilización (t)	ponderación	Contribución básica	Contribución operacional (ponderada)	Contribución por captura (ponderada)	Contribución por utilización (ponderada)	Contribución Especial	Contribución total	% del presupuesto	Inc./Dec.		
	Catch (t)	Utilization (t)	Weighting	Base contribution	Operational contribution (weighted)	Catch contribution (weighted)	Utilization contribution (weighted)	Special Contribution	Total contribution	% of budget			
	3 yr avg	2008	Factor	10%	10%	70%	10%						
Belize	645	-	2	23,412	15,227	2,545	0		41,184	0.7%	41,680	-496	-1.2%
Canada	5,746	5,478	5.5	23,412	41,875	62,337	7,928		135,552	2.2%	127,895	7,657	6.0%
China	1,646	2,121	1	23,412	7,614	3,247	558		34,831	0.6%	35,231	-400	-1.1%
Colombia	45,638	49,238	2	23,412	15,227	180,041	25,913		244,594	4.0%	249,469	-4,875	-2.0%
Corea	7,327	4,107	5.5	23,412	41,875	79,488	5,944		150,720	2.4%	139,855	10,865	7.8%
Costa Rica	3,030	17,464	2	23,412	15,227	11,953	9,191		59,784	1.0%	64,755	-4,971	-7.7%
Ecuador	181,370	238,306	2	23,412	15,227	715,501	125,415		879,556	14.3%	909,219	-29,664	-3.3%
El Salvador	17,039	26,276	1	23,412	7,614	33,609	6,914		71,549	1.2%	73,742	-2,193	-3.0%
Estados Unidos	16,798	17,815	5.5	23,412	41,875	182,236	25,783	1,473,246	1,746,553	28.4%	1,746,553	0	0.0%
Francia	3,052	2,408	5.5	23,412	41,875	33,110	3,485		101,883	1.7%	96,544	5,339	5.5%
Guatemala	6,817	5,390	1	23,412	7,614	13,446	1,418		45,891	0.7%	46,201	-310	-0.7%
Japón	23,044	23,641	5.5	23,412	41,875	249,997	34,215		349,500	5.7%	326,055	23,445	7.2%
México	118,720	123,306	3	23,412	22,841	702,522	97,340		846,115	13.7%	861,612	-15,497	-1.8%
Nicaragua	12,191	48	0.5	23,412	3,807	12,023	6		39,249	0.6%	38,690	559	1.4%
Panamá	73,864	727	3	23,412	22,841	437,088	574		483,915	7.9%	461,379	22,536	4.9%
Perú	2,204	2,274	2	23,412	15,227	8,695	1,197		48,531	0.8%	49,341	-810	-1.6%
Taipei Chino	6,139	3,894	5	23,412	38,069	60,546	5,123		127,150	2.1%	128,345	-1,195	-0.9%
Unión Europea	15,433	57,804	5.5	23,412	41,875	167,428	83,657		316,373	5.1%	324,427	-8,054	-2.5%
Vanuatu	9,464	1,077	1	23,412	7,614	18,668	283		49,977	0.8%	49,387	590	1.2%
Venezuela	51,242	42,182	3	23,412	22,841	303,223	33,299		382,776	6.2%	385,301	-2,525	-0.7%
Total	601,409	623,556	62	468,244	468,244	3,277,705	468,244	1,473,246	6,155,682	100.0%	6,155,682		