

**Convention on the Conservation and Management of Highly Migratory Fish  
Stocks in the Western and Central Pacific Ocean**

**Preparatory Conference for the Establishment of the Commission**

**Draft Agenda Item VII : Draft Scheme of Contributions to the Budget**

Introduction

1 Under paragraph 6 (f) of the Resolution establishing the Preparatory Conference, the Prep Con is tasked with making “recommendations concerning the budget for the first financial period of the Commission, including recommendations for a scheme of contributions to the budget in accordance with article 18, paragraph 2, of the Convention.” Article 18(2) of the Convention provides that the Commission shall adopt a scheme of contributions by consensus and that amendments to this scheme shall also be made by consensus.

2 The Convention goes on to outline three components to which due consideration shall be given in adopting the scheme of contributions (Article 18(2)). These are: an equal basic fee; a fee based on national wealth, reflecting the state of development of the member concerned and its ability to pay; and a variable fee. The variable fee shall be based, inter alia, on the total catch taken within the exclusive economic zones and in areas beyond national jurisdiction in the Convention Area of such species as may be specified by the Commission, provided that a discount factor shall be applied to the catch taken in a developing member’s EEZ by vessels flying that member’s flag.

Previous Work

3 A working paper prepared for MHL4 and updated for MHL6<sup>1</sup> outlined a range of important considerations in the development of a scheme of contributions for the Commission. These included the following guiding principles:

- the methodology used should be simple and readily understood by members
- the scale of contributions should be based on transparent and verifiable characteristics, with the data used in determining contributions to come from internationally recognised and available sources
- the number of variables used for calculation purposes should be minimised

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<sup>1</sup> ref MHL/Inf.2/Rev.2, Sixth Session, Honolulu, Hawaii, 11-19 April 2000

4 Equal Basic Fee: This paper referred to the equal basic fee as a “membership or participation” fee. Made on an equal basis, this would enable all members to participate in the body on an equal footing. The paper suggested this equal basic fee be paid in a lump sum by each member of the Commission at the commencement of each financial year.

5 National Wealth Payment: This component of the fee represented a contribution to the Commission based on the “capacity to pay” principle, in recognition of the differing stages of development of the different members. The paper proposed that this payment should be related to the GNP per capita of Commission members. It also suggested that this payment too should be paid in a lump sum by each member at the commencement of each financial year.

6 Variable Fee: This component of the fee relates to the benefits derived by members from the fishery resource (a fish production payment), measured by total fish catch. The paper proposed that the tuna catch data used for calculation purposes should be based on a three year moving average, in order to smooth fluctuations in production levels, member contributions and Commission income. The paper also proposed that the variable fee might be paid to the Commission in two annual instalments, to avoid financial difficulties which a single lump sum payment of this component of the fee might pose for developing members.

7 Formulae. The MHLC6 paper suggested two possible contribution formulae:

- 10% equal basic fee, 20% national wealth, 70% variable fee
- 20% equal basic fee, 20% national wealth, 60% variable fee

Copies of the MHLC6 paper are available from the Secretariat in Christchurch. This includes a table with the worked 10%/20%/70% formula, based on the indicative budget and the indices adopted in that paper.

#### Points to Consider

8 The Prep Con will need to consider the formulae presented in the previous MHLC working papers and their suitability as a basic structure for the weighting of the three fee components present in Article 18(2). In part, a decision on this question will depend on the methodology used to calculate both the national wealth component and the variable fee. This in turn suggests that, in the case of the national wealth component, the Prep Con will need to consider questions such as the most suitable indices to use for calculation of the national wealth payment and the ways in which these indices are employed (eg the number of steps and the level at which these should be set on a graduated national wealth payment scale). For the variable fee, questions such as the species coverage of the catch data and the source of data to be used in the calculations (eg FAO, SPC, WCPFC Commission data) arise.

9 As actual individual contributions will, of course, depend on the overall budget established for the Commission's initial period it is not possible to calculate with certainty the actual figures different formulae for contribution schemes would throw up for individual members. To assist the Prep Con's future work in this area, however, it is suggested that further worked tables using an indicative budget might be explored for each of the formula options outlined above, in order to continue the work undertaken by the previous MHLC informal group on budget and related matters.