

---

**PREPARATORY CONFERENCE FOR THE COMMISSION  
FOR THE CONSERVATION AND MANAGEMENT OF  
HIGHLY MIGRATORY FISH STOCKS IN THE WESTERN  
AND CENTRAL PACIFIC**

Fifth session  
Rarotonga, Cook Islands  
29 September – 3 October 2003

WCPFC/PrepCon/DP.20  
1 October 2003

---

**COMMENT ON THE FORMULA FOR ASSESSMENT OF CONTRIBUTIONS TO THE  
BUDGET OF THE COMMISSION (WCPFC/WP.13/Rev.1)**

Submitted by the delegation of Korea

1. The Republic of Korea proposed a formula for assessment of contributions to the budget of the Commission as part of the Financial Regulations (Draft) at the PrepCon III in Manila, the Philippine (November 2002), which was distributed to all PrepCon IV participants at Nadi, Fiji (DP.9/15 April 2003). Based on that draft proposal and the ensuing discussions with participants of PrepCons III and IV, the Delegation of the Republic of Korea offers comments on the Interim Secretariat's revised proposal for the Formula for Assessment of Contributions to the Budget of the Commission (WCPFC/PrepCon/WP.13/Rev.1/ dated 17 September 2003), as follows. They focus on the relative weight given to criteria for the assessment of contributions; national wealth as a criterion; and beneficiaries of the discount factor on the catches by the ships of developing states with their own flag in the EEZ in calculating total catch.

**RELATIVE WEIGHTS GIVEN TO THE CRITERIA OF CONTRIBUTIONS**

2. The Secretariat's revised proposal shows an indicative scheme of contributions based on a notional budget of \$2 million with a relative weight of 10% (base fee), 20% (national wealth), and 70% (total catch). These relative weights are inappropriate for the contribution scheme since they are, first, against the spirit of the Convention and, second, are so different from the precedents of other regional fishery organizations that they are unfair.

3. First, the revised proposal assigns too great a weight to total catch, and this is against the spirit of the Convention on two grounds. (A). Conservation and management is a responsibility of all members. WCPFC is neither an organization for fishing states, nor is it an organization for non-fishing states. If it is an organization for only one group, the budget of the organization should be borne by fishing states based solely on total catch. However, the Convention recognizes that benefits from both the conservation and use of fish stocks accrue to both fishing and non-fishing states of the Commission. Therefore, the costs of conservation and management of fish stocks should be borne fairly by all members. In this spirit, the Convention stipulates that the budget of the Commission should be financed by assessed contribution of all members—both fishing and non-fishing, and the assessment should be based on both national wealth and total catch. Since both fishing and non-fishing states benefits equally from conservation and management of fish stocks, the budget of the Commission should be financed on the basis of both total catch and national wealth equally. Therefore, an equal weight should be given to total catch and national wealth. If the basic fee receives a weight of 10% of the total contribution, total catch and national wealth should each receive a weight of 45%. (B). There is

no hint in the Convention that fishing states should make a greater contribution to the budget or should receive any penalties. If there is any hint in the Convention, it is that a state with richer national wealth should make greater contributions to the budget and the special fund for developing states, and therefore, national wealth should receive an equal weight as total catch, if not a greater weight.

4. Second, precedents from other regional fishery organizations also indicate that national wealth should receive an equal weight. Regional organizations established in earlier years like IATTC depend on total catch (variable fees) for their financing. But those organizations established in later years depend 100% on basic fees (equally by all members) like CCAMLR and NPAPC, or equally 40% each on total catch and national wealth like IOTC (Table 1). As far as we know, the IOTC is so far the only latest organization that uses both national wealth and total catch as criteria for assessing contributions, and it gives an equal weight of 40% to both national wealth and total catch. Therefore, the Secretariat's indication of the 20%:70% weights on national wealth and total catch loses a sense of balance and deviates too much from other regional fishery organizations' practice. An equal weight should be given to both national wealth and total catch.

**Table 1. Comparison of Contribution Schemes**

(% of the budget)

	IOTC	IATTC <sup>2</sup>	CCAMLR <sup>3</sup>	NPAFC <sup>4</sup>	CCSBT	NAFO	ICCAT	NASCO	SEAFO <sup>8</sup>
<u>Basic Fee</u> (equal sharing)	<b>10</b> 10 <sup>1</sup>	<b>10</b>	<b>100</b>	<b>100</b>	<b>30</b>	<b>30</b> <sup>5</sup>	<b>32</b>	<b>30</b>	
<u>National Wealth Fee</u>	<b>40</b>	<b>20</b>							
<u>Variable Fee</u> (total catch)	<b>40</b>	<b>70</b>			<b>70</b>	<b>10</b> <sup>6</sup> <b>60</b> <sup>7</sup>	<b>68</b>	<b>70</b>	

\* Notes:

- 1: Equally divided among members having operations in the Area targeting species covered by the Commission.
- 2: The IATTC, one of the old organizations, used to give a weight of 100% to total catch, but has recently been discussing adoption of the revised formula of 10%:20%:70%, following the trend of getting away from giving too great a weight to total catch.
- 3: For the first year, equal contributions to the budget by all members. Thereafter, X% by catch and Y% by equal sharing among all members. X and Y to be determined by the Commission.
- 4: The budget of NPAFC shall be equally divided among the Parties.
- 5: 30% of the budget divided equally among all the Contracting Parties.
- 6: 10% of the budget divided among the Coastal States in proportion to their nominal catches in the Convention Area.
- 7: 60% of the budget divided among all the Contracting Parties in proportion to their nominal catches in the Convention Area.
- 8: The precise proportion to be indicated in Financial Regulations, which are not yet prepared by the Commission.

## **NATIONAL WEALTH AS A CRITERION FOR THE ASSESSMENT OF CONTRIBUTIONS**

5. There are two problems with the national wealth criterion: one is the ability-to-pay of each member; and the other is the classification of the state of development of each member.
  
6. The fundamental problem with the Secretariat's revised proposal is that it does not follow the assessment criteria mandated by the Convention 18 (2). The Convention stipulates that the assessment should be made on the basis of three criteria: the basic fee, national wealth, and total catch. It further specifies that national wealth should be assessed on the basis of the following two sub-criteria: the state of development and the ability to pay of members. However, the Secretariat's revised proposal incorporates only the state of development of members (that is, the per capita GNI of each member) and neglects the ability-to-pay criterion (that is, the size of the economy of each member or GNI itself).
  
7. The GNI per capita of each member indicates only the state of development of each member, and therefore the ability to pay should also be explicitly taken into account separately in defining national wealth, as mandated by the Convention 18 (2). Just as the state of development of each member is usually approximated by per capita GNI, the ability to pay is customarily estimated by the size of the economy, that is GNI itself.
  
8. Besides the negligence of the ability to pay, the Secretariat's revised criterion of per capita GNI has several additional problems, First, it groups countries by the level of per capita GNI arbitrarily (i.e., high, middle, and lower per capita GNI) and assesses the same amount of contributions for those countries belonging to the same category. Since each category has so wide a range that a country with per capita income of less than one-fourth is to pay the same contributions (For example, Korea with a per capita income of \$8,947 is to pay the same contribution amount as US or Japan, which have a per capita income of \$34,987 and \$33,780, respectively. This same problem exists among middle and lower income members as well.) (Table 2 of WP.13/Rev.1). Second, the high income countries bear disproportionately a large amount of contributions compared with middle and lower income members. The high income countries bear 88% of the total contributions based on national wealth (Table 2 of WP.13/Rev.1). The ratio of contributions among high, middle and lower income members is 1: 1.4:17, which is excessively higher than 0: 2 : 8 in the case of the IOTC, which uses the same criteria as WCPFC. Third, since all members belonging to the same artificial category of per capita GNI have to pay the same amount and the share of contributions of a country belonging to the high income category is so high that a country moving from the middle income category to high income category in the future will have a substantial increase suddenly in one year, deprived of the smooth transition of the burden from one category to another. For example, a country paying \$5,600 in a year under the Secretariat's proposal will suddenly have to pay \$32,000 next year based only on national wealth (Table 4 of WP.13/Rev.1/17September 2003). If the share of contribution is tailor-made for each member state, the transition would be smooth.
  
9. The Korean Delegation proposes that the Secretariat kindly prepare and publish a working paper regarding the estimated contribution of each member of the Commission on the basis of a proper definition of the national wealth, as the Korean Delegation suggested, i.e., national wealth based equally on per capita GNI and the GNI itself.

10. One way of avoiding all those issues and problems indicated in the above paragraphs is to use the criteria and indicators already compiled by other international and regional organizations, of which the majority of WCPFC members are also members, since the finance or planning ministers of all WCPFC members already negotiated and made agreements with all their counterparts including WCPFC members. For example, the UN, IBRD (World Bank), and IMF all use the same definition of national wealth as the WCPFC and has constructed a composite indicator, such as the capital subscription rate, and such indicator is updated every five years, as well as every year if a member presents justifiable reasons to modify the formula in the intervening years. In addition, such indicator is published every year in its annual report transparently and with ease of access by every member for verification. The World Bank publication misses only three members of WCPFC (French Polynesia, New Caledonia and Chinese Taipei), but their share of contributions based on national wealth can be estimated by comparing the ability to pay and the state of development among members. Some delegations argued that the IBRD indicator is likely to reflect domestic development assistance and fiscal policies, but it is an erroneous and groundless assumption.

#### **TRANSPARENCY AND VERIFIABILITY OF CRITERIA**

11. The Secretariat's revised proposal is inconsistent with the principles agreed at the MHLC6: simplicity, transparency, and verifiability (MHLC/Inf.2/Rev.2, Sixth Session, Honolulu, Hawaii, 11-19 April 2000). Total catch and per capita GNI based on the purchasing power can be calculated by many different methods, and in practice there are several institutions, which publish different data for a same country, depending on the method adopted. A proposal should use the criteria data compiled by the institution and the publication, from which the data are readily available and verifiable by all members. For this purpose, the institution and publication used should be transparently revealed.

---