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

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DRAFT AGENDA ITEM VII: DRAFT SCHEME OF CONTRIBUTIONS TO THE
BUDGET

Submitted by the delegation of Chinese Taipei

I. Introduction

1.   Pursuant to paragraph 6(f) of the Resolution 1 of the MHLC and being requested by the host government of the Preparatory Conference, Chinese Taipei has drafted this working paper on the issue of "scheme for contributions to the budget" for discussion and consideration by all the participating delegations to the Preparatory Conference. This working paper intends to serve as a basis for discussion and consideration, rather than providing a definite design of the contribution scheme. Furthermore, this working paper was developed under the framework of the assessed contributions stipulated in Article 18(2) of the Convention, experiences of other existing regional fisheries management organizations, and academic concepts as well, without actual budget amount and budget structure in mind.

2.   In accordance with Article 18(2) of the Convention, there are three components for the assessed contribution to the budget, i.e.,
(1)   an equal basic fee ;
(2)   a fee based upon national wealth, reflecting the state of development of each Member of the Commission and its ability to pay, and;
(3)   a variable fee, based on the total catch within EEZs and in areas beyond national jurisdiction in the Convention Area of such species as may be specified by the Commission.

3.   While these three components will be critical in establishing the budget scheme, the Preparatory Conference needs to consider weight allocation and scale of weight for each component. It seems to be desirable that, at least in the initial stage when the size of the Commission may be small, budget be shared among all Members of the Commission, with greater weight on affluent Members.

II. Major Principles

4.   It is believed that there are five properties for a good contribution scheme:

- Economic efficiency: the contribution scheme should not interfere with the efficient allocation of resources.
- Administrative simplicity: the contribution scheme should be easily understood and operated.
- Flexibility: the contribution scheme should readily respond to changes under various economic circumstances and management needs.

- Acceptability: the contribution scheme should be accepted comfortably by all Members of the Commission and also reflect the expectation and inspiration of all Members.
- Fairness: the contribution scheme should be fair in its relative treatments to different individual Members of the Commission.

III. A Concept of ability-to-pay in the Contribution Scaling

5.   In developing the scale of contributions, the following attributes are taken into consideration:

- A basic fee is to be paid equally by each Member of the Commission, without considering national wealth or fish catch. The basic fee should be sufficient to secure a minimum source of income to the Commission for its existence and, at the same time, it should not cause an unfairly heavy burden to any Member of the Commission.
- A national wealth fee reflects the state of development of each Member of the Commission and its ability to pay. It is suggested that statistics, say, three-year average figures for per capita Gross National Product (GNP) or real Purchasing Power Parity (PPP), released by relevant international organizations such as Asia Development Bank or World Bank, be used for calculation. A concept of "ability-to-pay" is introduced into the computation of national wealth payment for each Member of the Commission (NWPm) by multiplying the total amount of national wealth payment of the Commission (NWPt) to the ratio of each Member's GNP/PPP to the total GNP/PPP of all the Members. To express this concept in mathematical equation as follows:

NWPm = NWPt * (GNP/PPP of each individual Member)/ (total GNP/PPP of all the Members)

- A variable fee as specified in Article 18(2) reflects the fisheries resources or catch taken by each Member of the Commission. This component of contribution should also be related to the benefits derived by Members of the Commission from the fishery. In addition, a discount factor shall be applied to the catch taken in the EEZ of a Member of the Commission which is a developing State or territory by vessels flying the flag of that Member. It is, thus, envisaged that the catch taken by all Members must be differentiated as within and without the Zone, and the catch taken within the Zone of those developing State or territories by vessels flying the flag of that Member is further discounted. The discount factor could be a fixed figure, say, 0.5. Statistics of catch and prices for the four tuna species in the Convention area (e.g. skipjack, yellowfin, albacore, and big-eye) should be collected as bases for calculation. The "price index" should constitute another a key element for consideration. The value of fish caught, therefore, should be taken into account in determining a Member's fish production in sharing of this component.

IV. A Concept of Value Weighted Production in the Contribution Scaling

6.   As once proposed in the MHLC negotiations, either 10% or 20% of the assessed contributions should be covered by the equal basic fee from all Members of the Commission. The national wealth payment could account for another 20% of the assessed contributions. Table 1 shows the economic background of total and per capita GNP, and per capita PPP among all Members. It is also proposed that the variable fee, being 60% to 70% of the contribution, be charged with respect to fish production.

7.   In view of the differential market price of different tuna species, along with the concept of "resources rent," we would like to introduce a concept of "value-weighted production" into the

variable fee computation. To make the life easier, the four species of tuna to be managed under the Convention regime could be grouped into two broad categories; Group A is skipjack tuna, and Group B includes yellowfin, albacore, and big-eye tunas. Rather than calculating the variable fees paid by each Member of the Commission simply based on the total catch tonnage of these four species caught by each Member, we believe that it would be more realistic in terms of "real benefits from the resources" by calculating the variable fees paid by each Member of the Commission based on the ratio accounted for each Member of "total value-weighted production/catch." To express this concept in mathematical equation:

value-weighted production of each Member of the Commission (VWPm) = (Group A production in tonnage caught by a Member *1) + (Group B production in tonnage caught by a Member *4)

where a fixed discount factor, say 0.5, is further introduced for those Members, developing States of territories, whose catch in tonnage was taken within their own EEZs by vessels flying their flags.

total value-weighted production/catch taken in the Convention Area (VWPt) = (total production in tonnage of Group A in the Convention Area *1) + (total production in tonnage of Group B in the Convention Area *4)

variable fees paid by a Member of the Commission = total amount of variable fees of the Commission budget * VWPm/VWPt

V. Other Considerations for the Scaling

8.   Based on the bio-economics theory, it is well known that the costs of as well as the benefits from effectively optimal and sustainable management of renewable fishery resources should be taken into consideration. Thus, for a sustainable fishery management in the Western and Central Pacific, matters of principle in assessing each Member's contributions to a proposed budget should also consist of the following considerations:

- Those Members who receive access fees from foreign fishing in their waters should assume certain degree of responsibility in the present management regime and share the variable fee. Theoretically, the variable fee should fully reflect the "resource rent" for a stable fish stock resulting from a healthy fishery management. If we could take the resource rents as well as the production payments into consideration, it would be more likely to reach an optimal stock level. Therefore, we would like to suggest that the access fee received, which is not reflected in the current proposed formula, should be considered as an additional element in determining the scaling for the sake of fairness.
- In case that the number of Commission Members is relatively small at the initial stage (e.g. three States situated north of 20°N and seven States south 20°N plus a fishing entity, see article 36(1) and Annex 1) once the Commission is established after the Convention comes into force, the expected expenditure may not be proportionally low. Thus, the share of any Member of the Commission to the budget should not exceed a certain ceiling. This ceiling is proposed to be 20% of the total budget. Under this arrangement, the budget and also the operation of the Commission would not be overly dependent on a particular Member for Commission. However, there is no restriction on any Member to donate additional contributions to the Commission, when necessary.

VI. Two Scenarios: GNP and PPP

9. Assuming the total annual budget of the Commission is one million US dollars, we would like to invite all delegations to consider two scenarios of calculation, one based on GNP, the other on PPP.

Scenario 1: GNP

An equal basic payment contribution, either 10% or 20% of the total assessed contributions, applied to all Members of the Commission. The national wealth payment accounts for 20% of the budget and is weighted by three year moving average GNP provided by Asia Development Bank or World Bank. An ability-to-pay concept is introduced and taken into computation as explained above. The variable fee reflects value-weighted fish production. All tuna catch data (1997-1999) used for calculation are based on statistical areas (71,77 and 81) from FAO website.

Option 1: 10% basic fee, 20% national wealth payment by GNP, and 70% variable fee by valued-weighted fish production payment. The result is listed in Table 2-1.

Option 2: 20% basic fee, 20% national wealth payment by GNP, and 60% variable fee by valued-weighted fish production payment. The result is shown in Table 2-2.

Scenario 2: PPP

An equal basic fee, either 10% or 20% of the total assessed contributions, applied to all Members of the Commission. The national wealth payment accounts for 20% of the budget and is weighted by three year moving average PPP provided by Asia Development Bank or World Bank. An ability-to-pay concept is introduced and taken into computation as explained above. The variable fee reflects value-weighted fish production. All tuna catch data (1997-1999) used for calculation are based on statistical areas (71,77 and 81) from FAO website..

Option 1: 10% basic fee, 20% national wealth payment by PPP, and 70% variable fee by valued-weighted fish production payment. The result is listed in Table 3-1.

Option 2: 20% basic fee, 20% national wealth by PPP indicator, and 60% variable fee by valued-weighted fish production payment. The result is shown in Table 3-2.

(Table on Economic Background of Members of Commission emailed separately)

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