



Fisheries
Transparency
Initiative

FiTI Board Circular

Board Circular No. 4

ID: BC-04_2020

Requested by: FiTI Chair

Submitted by: FiTI International Secretariat

Submitted on: 31 August 2020

Decided on: 7 September 2020

Preamble

According to Article 15 of the constitution of the Fisheries Transparency Initiative (FiTI), in effect since 24 January 2020, *“the FiTI International Board shall make decisions outside Board Meetings, especially for routine decisions that need to be passed between Board Meetings, based on Board Circulars.”*

Purpose of this Circular

The purpose of this Circular is to decide whether the FiTI should grant a three-year moratorium (2020 – 2022) regarding annual financial contributions from countries, due to the current global COVID-19 pandemic.

The rationales for this proposal are threefold:

- 1) Support FiTI implementing countries in mitigating their dire social and economic consequences caused by this global pandemic;
- 2) Align our requirements with the widespread decision of countries to suspend payments to initiatives like ours due to economic constraints; and
- 3) Incentivise new countries that face similar challenges to join the FiTI.

Decision required: 3-year moratorium (2020 – 2022) for annual financial contributions from countries

The COVID-19 pandemic continues to spread with alarming speed, infecting millions and bringing economic activity to a near-standstill. Containment measures that are crucial to halt the spread of the COVID-19 pandemic have already triggered large short-term economic costs, while it must be assumed that the worst consequences are yet to come. According to the June 2020 Global Economic Prospects¹ a 5.2 percent reduction in global GDP is forecasted for 2020, causing *“the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.”*

¹ <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>

As even advanced economies are projected to shrink by 7 percent, emerging markets and developing countries face particular daunting vulnerabilities over the years to come. According to the World Bank: *“Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.”*

As an initiative that is based on stakeholder participation and collaboration, our work has been affected on multiple levels. The limitations imposed by the pandemic have impacted our operations and prevented us from traveling, which in turn made it more difficult for us to keep in contact with our counterparts and new constituencies around the world. Face-to-face meetings with relevant stakeholders have been in the past the most effective tools to advance our work, and it has been more difficult to keep the momentum.

Furthermore, through regular e-communications with stakeholders, in particular in our current focus regions Latin America, West Africa and Western Indian Ocean, it is evident that all countries are already adjusting to this dire situation, which – inter alia – will result eventually also in reprioritising their financial contributions towards international organisations and initiatives. The FiTI International Secretariat has already been officially informed by one FiTI implementing country (i.e. Seychelles) regarding its inability to fully meet its financial commitments in terms of annual contributions towards the FiTI over the next years. And at least two other country prospects, with whom the Secretariat is already in advanced discussions about joining the initiative, have clearly stated that annual contributions are a major obstacle for obtaining broad stakeholder support right now.

At the moment, our short- and medium-term ability to continue raising funds is still directly impacted by the number of countries participating in and joining the FiTI.

Mandatory, annual financial contributions from participating countries were approved by the FiTI International Board in its 4th International Board meeting on 12 June 2018 in order to contribute to the overall financing of international administration and governance activities. The Board agreed that minimum annual financial contributions will be determined based on the country's Gross National Income and aligned to four income level categories (i.e. low, low-middle, upper-middle, high). Contributions from Small Island Developing State will be reduced by 50%. Furthermore, it was agreed that such contributions will become effective on 1 January 2019.

Based on this decision, for **2019** the FiTI International Secretariat requested annual financial contributions from Seychelles (25k USD) and Mauritania (20k USD). As of today, the 2019 contribution from Mauritania has not been paid.

For **2020**, the anticipated annual financial contributions were budgeted at 75k USD², intended to

- ➔ cover primarily administrative costs that cannot be allocated to ongoing projects (e.g. insurance and audit fees, infrastructure charges), and
- ➔ continue building up a small contingency to be able to mitigate unforeseen circumstances in the future.

It is currently estimated that through a number of adjustments, including operational cost reductions³ and project reallocations, the minimum essential budget required for 2020 to cover non-reimbursable administration costs would be approx. 20k USD. As it must be assumed that mandatory annual contributions for 2020 will not materialise at all, this amount could be matched by the utilisation of the 2019 remaining budget (10.042 EUR) as well as additional voluntary contributions. Consequently, as of today, no contingency will be built up for 2020.

Given that there is still sufficient lead time, it is anticipated that for **2021-22** non-reimbursable administration costs can be primarily covered by project overheads and by identifying other (primarily) non-governmental sources for voluntary contributions.

The FiTI Chair has now instructed the FiTI International Secretariat to issue this circular and request a decision from the Board.

Decision required_#1: Does the FiTI International Board approve a COVID-19 induced moratorium for annual financial contributions from countries under the following conditions:

- ➔ **All mandatory financial contributions will be fully waived for 3 years (2020-2022), including those that have already been requested by the FiTI International Secretariat for 2020;**
- ➔ **The moratorium is applicable to current FiTI implementing countries, as well as new countries that join within this 3-year period (2020-2022);**
- ➔ **If approved, the moratorium will be automatically applied, i.e. countries do not need to submit a request to the FiTI to benefit from this moratorium;**

² Seychelles (50.000 USD, but reduced by 50% due to classification as SIDS), Mauritania (20.000 USD), Senegal (20.000 USD) and Cabo Verde (20.000 USD, but reduced by 50% due to classification as SIDS). Except for Senegal, these financial contributions were already requested by the FiTI International Secretariat in May 2020.

³ As the FiTI International Secretariat already anticipated the implications of this global pandemic early in the second quarter of 2020, a number of cost reduction activities are already realised.

- ➡ Contributions that were already due prior to 2020 continue to remain payable and failure to settle these outstanding contributions will trigger the consequences as outlined in Board decision BM-04_2018_D-05⁴;
- ➡ The International Board will re-assess the situation by mid of 2022.

Due date for this Board Circular

Board Members must reply to this Board Circular no later than **Monday, 7 September 2020** in writing (via email) and cannot assign their Alternates or a proxy.

Decision making procedures for this Board Circular

In accordance with the constitution of the FiTI, *“decisions through Board Circulars are adopted by qualified majority requiring the support of three quarter of the total number of Board Members and must include the support of at least three Board Members from each stakeholder group. Every member has one vote.”*

For this Board Circular, there is no apparent conflicts of interest among voting members of the Board. Furthermore, the current total number of voting members in the FiTI International Board is thirteen (13), whereas the constitution foresees only 12 voting Board members. Therefore, the voting powers are adjusted as follows:

Stakeholder Group	Number of voting members	Voting power per member
Countries	4	1
Business	4	1
Civil Society	5	0.8

This Board Circular is adopted if at least 9 votes support this decision, including 3 members from each stakeholder group.

⁴ For countries that have not reached the official status of an FiTI Candidate country, failure to provide such contributions will be made transparent, e.g., on the FiTI website.
For countries that have reach the official status of an FiTI Candidate country or FiTI Compliant country, failure to provide such contributions will restrict their ability to undergo regular validations in accordance with the FiTI Standard.

Results protocol: Approval of Circular

The Board Circular was sent on 31 August 2020 to all Board Members. The following results were recorded:

Name:	Stakeholder Group:	Sent on:	Responded on:	Decision:	Vote:
Goudiaby, Mamadou	Government	31.08.2020			
Mattson, Ylva	Government	31.08.2020	02.09.2020	Yes	1
Michaud, Philippe	Government	31.08.2020	01.09.2020	Yes	1
Nany, Mohamed Salem	Government	31.08.2020	02.09.2020	Yes	1
Biryukov, Alexander	Business	31.08.2020	31.08.2020	Yes	1
Leotte, Francisco	Business	31.08.2020	31.08.2020	Yes	1
Gueye, Gaoussou	Business	31.08.2020	01.09.2019	Yes	1
Hadiwinata, Ahmad Marthin	Business	31.08.2020			
Losada, Sebastian	Civil Society	31.08.2020	07.09.2020	Yes	0.8
Mari, Francisco	Civil Society	31.08.2020			
Nech, Nedwa Moctar	Civil Society	31.08.2020	01.09.2020	Yes	0.8
Schumm, Alfred	Civil Society	31.08.2020	31.08.2020	Yes	0.8
Rolon, Eduardo	Civil Society	31.08.2020	01.09.2020	Yes	0.8

Approval of Circular - Rule I: At least 9 votes in favour of supporting the decision:	10	9.2
Approval of Circular - Rule II: At least 3x 'Yes' from stakeholder group 'Government':	3	
At least 3x 'Yes' from stakeholder group 'Business':	3	
At least 3x 'Yes' from stakeholder group 'Civil Society':	4	

Based on these responses, the following decision has been determined:

Decision [BC-04_2020_D-01]:

The International Board approves a COVID-19 induced moratorium for annual financial contributions from countries under the following conditions:

- ➔ All mandatory financial contributions are fully waived for 3 years (2020-2022), including those that have already been requested by the FiTI International Secretariat for 2020.
- ➔ The moratorium is applicable to current FiTI implementing countries, as well as new countries that join within this 3-year period (2020-2022).
- ➔ The moratorium is automatically applied, i.e. countries do not need to submit a request to the FiTI to benefit from this moratorium.

- ➔ **Contributions that were already due prior to 2020 continue to remain payable and failure to settle these outstanding contributions will trigger the consequences as outlined in Board decision BM-04_2018_D-05.**
- ➔ **The International Board will re-assess the situation by mid of 2022.**