

Minutes, ICoC Working Group #3 Meeting: 2 August 2011 via teleconference

Attending

- James Cockayne, Center on Global Counterterrorism Cooperation – co-chair
- Melike Yetkin, US Department of State – co-chair
- Sylvia White, Aegis
- Will Imbrie, Dyncorp International
- Doug Brooks, ISOA
- Ian Ralby, ADS Security in Complex Environments Group
- Doug Cahn, The Cahn Group
- Paul Scott, USAID
- Phil Rudder, WSI International
- Glynne Evans, Olive Group
- Jessica Vogel, ISOA
- Thomas Haueter, DCAF

BEGIN 11:00 DC / 16:00 UK / 17:00 GENEVA

The Chair acknowledged that since this is the last substantive discussion before the drafting of the final report, participants should address their thoughts about funding and costs during this meeting. Two papers will serve as reference documents and are attached at the end of the minutes: IGOM Funding Arrangements – Summary of Responses to Funding Chart and a Note on possible costings for the IGOM and its institutions.

The following points were raised:

- There are signs of a consensus that the secretariat running costs should be paid mainly by SigCos and participating governments. Other interesting ideas are voluntary trust funds and initial start up capitalization. There were a number of ideas raised without consensus that deserve discussion.
- The issue was raised that perhaps not all signatory companies will take part in the process and follow along and therefore will not pay the dues associated with the process. This led to the discussion about the open access of the signature to the Code and the nature of companies signing and its impact to the Code (namely maritime security, companies that mainly offer other services than security)
- It was mentioned that the open access of the Code was deliberate and at the moment companies express their intention towards the Code. Furthermore Para 8 of the Code requires the companies to go forward with the process. Therefore a potential un-signing of companies must be possible. Someone predicted that un-signing will increase once the IGOM is established since only a few signatory companies have actually read and considered the Code.
- It was asked if the rapidly increasing number of signatory companies is not undermining the Code.

- A membership fee should be very reasonable and be scaled to the company size; companies should pay for their own certification.
- There was mention to reflect to the TSC that there is a question whether signature brings an obligation to pay dues and how the certification process will come in and how mandatory it is to go forward with the process.
- Regarding the government dues, the following points were raised:
 - Within a voluntary trust fund, a clearly stated mandate with focus on grievance mechanism, human rights, training, etc. would ease the possibility of governments to contribute to the fund.
 - It would be interesting if governments can participate to the start up costs
 - It was mentioned that in general governments are very hesitant to commitment for long time funding to support an institution, a onetime only start up funding might be more interesting
 - The example of the Voluntary Principles was mentioned where governments pay annual dues that are spent 100% for secretariat works
 - It was brought up that governments can't expect a regulatory body without paying for it: if you want the benefit of regulation than you will face some costs. Governments receive a service and therefore should pay for it as well.
- There was mention of Para 7b of the Code where signatory companies not only commit to work with states but with clients as well. This should be reflected to the TSC that potential responsible purchasers need to be involved and approached.
- Regarding possible per-diems for board members, the following points were raised:
 - Since board expenses will be quite considerable, it is desirable that board members receive no salary but their costs would be covered.
 - The US government said that the per diem rate should be aligned with the US government standards
 - There was consensus that telephone conference system should be used as much as possible in order to keep the costs low.
 - The example of the Voluntary Principles: steering committee meets monthly via teleconference and meets in person once a year prior to the plenary conference
 - It was mentioned that if the board is elected by the stakeholder groups a per diem might not be necessary, however if the board is made up of independent experts, a per diem will certainly be necessary.
- A plenary of the IGOM might get sponsorship from industry, further does the place where the plenary is held strongly affect the price. There were no significant objections towards sponsorship of organizing the plenary.
- Another issue for the TSC is the relationship between participation in a plenary and paying dues: this issue should be considered later on.
- A proposal paper of Professor Frost of Kings College London (about possible University involvement) was mentioned: it will be sent out to people interested.

- The attached note on possible costing for the IGOM and its institutions sets out possible costings for the IGOM against the background of certain assumptions that are explained in the notes. Generally speaking one has to consider that funds might be limited and not enough for what the working group has been seeking to build so far.

END 12:00 DC / 17:00 UK / 18:00 GENEVA

Next steps:

- The report to the TSC will be shared with everybody by next week and inputs will be considered before it goes to the TSC
- Next week call will be skipped so people have time for looking at the paper, next call will be on Monday August 15.

IGOM Funding Arrangements

Summary of key points from responses to the Funding Chart

1 August 2011

James Cockayne

1. Secretariat costs

Signs of consensus:

- Secretariat costs should be paid by dues assessed at least on SigCos. Due amounts to be recommended by Secretariat and approved by Board.
- Support for financial contributions from Participating Governments (PGs) – but also support for these to be either:
 - Phased out after initial 3-5 year period, so PG contributions serve to cover start-up costs of IGOM and it then phases to largely SigCo funded organization; OR
 - Paid into Voluntary Trust Fund, so PGs are not paying ongoing running costs of the IGOM, given it will not be an international organization

Needs further discussion:

- Additional one-time SigCo ‘capitalization’ fee, on joining
- Scale for SigCos’ dues:
 - Exact amounts – may need to be addressed by TSC after identifying priorities and polling industry on what they would be willing to pay, once shape of IGOM and services it offers become more clear.
 - Assessed how? i.e.
 - self-nominating into cohorts, or
 - Secretariat makes recommendations on cohorts of individual SigCos based on size, revenues, something else? Board then approves.
- Scale for government dues:
 - Exact amounts – may need to be addressed by TSC after identifying priorities and polling governments on what they would be willing to pay, once shape of IGOM and services it offers become more clear.
 - Assessed how? ie based on size of ICOC-affected industry in that country? Or flat fee for all governments? Or scaled to UN scale of assessments?
- Civil Society:
 - any requirement of in-kind or financial contribution?
 - Possibility of ‘Associate Membership’ for interested organizations, eg civil society groups, clients etc. → what exactly would this allow?
 - Possibilities for in-kind support from a University
- Trust Fund? If so, to cover which Secretariat activities?

2. Board Costs

Signs of consensus:

- Some costs (eg expenses and per diem for Independent Chairman, and for some civil society actors, space rental and meeting costs) will need to be paid out of the Secretariat's operating budget, funded by dues (see above)

Needs further discussion:

- Should other costs – eg costs of participation by SigCos and Participating Governments – be:
 - 1. Paid out of collected annual dues; or
 - 2. Absorbed by those individual Board participants?
- How is this affected if the TSC opts to have Independent Board members (e.g. Plenary elects Board from a list of nominees put forward by the 3 caucuses)? Should all these Board Members' costs then be paid from dues?

3. Plenary Costs

Signs of consensus:

- Annual dues should be assessed to cover overhead costs of Plenary meeting

Needs further discussion:

- Should Plenary registration fee be separate from dues? I.e. should:
 - Right of participation in Plenary (subject to its rules of procedure) flow from payment of dues; OR
 - Participants pay to play – ie Plenary registration fee is elective, separate from annual dues?
- How many people's participation at Plenary should dues cover?
- Room for sponsorship from governments and/or SigCos?

4. Auditing and Grievance Mechanism costs

The chairs of both Working Groups 1 and 2 have indicated to us that they cannot yet provide us any information about where the costs of these mechanisms will lie, though there seems to be a sense:

- In Working Group 1 that ultimately the basic costs of auditing/certification must be borne by the applicant company. This view was also reflected in WG3's responses; and
- In Working Group 2 that any Grievance Mechanism must be kept as low-cost as possible. WG3 members also suggested (individually – no consensus implied):

- Routine grievance handling should be funded out of dues, whereas 'extraordinary' grievance processes could trigger cost-sharing with the SigCo in question;
- Support from governments through use of good offices, not finances;
- Support from Civil Society through provision of expertise, support to those bringing grievances;
- Some support could come from a Voluntary Trust Fund.

NOTE ON POSSIBLE COSTINGS FOR THE IGOM AND ITS INSTITUTIONS (1 August 2011)¹

A. Plenary Conference

Assuming 150 people² attend:

- i) Costs for hall, audio, water,tea/coffee and hot buffet
- ii) Geneva £61.00 per head³
- iii) London £65.00 per head⁴.

Basic Cost for London venue for conference of 150 people of £10,000.

- iv) Possible that a Government might subsidise travel for some NGOs, and that private sector (psc or client companies) would provide substantial sponsorship.
- v) Need to consider travel costs for some NGOs and Secretariat, but also assume sizeable proportion of costs for an annual meeting funded by sponsorship from psc/VP company.

B. Board

Assuming Chairman plus 6 member Board and four meetings a year (including Annual Plenary Conference). Per diem of £500.00 per day , cost would be £14000.00, would also require secretariat support and travel costs, assume £10,000. Costs would rise proportionately according to size of Board and number of meetings.

Total Board costs for 4 meetings £24,000.

C. Secretariat⁵

- i. Executive Secretary - £100,000
- ii. Director of Compliance - £85,000⁶
- iii. Legal Counsel - £75,000
- iv. Financial controller £45,000.
- v. IT officer £40,000.
- vi. Compliance officer £40,000
- vii. Policy advisor/Advisor to Executive Secretary £25,000
- viii. Administrative officer/officer manager £28,000.
- ix. 13.8% Employers national insurance - £60,444

¹ The attached costings are based on a realistic approach to a sustainable Institution. Given the likely income shortfall, staffing and overheads would need to be reduced below even this structure. See Notes on dues below.

² Not all psc signatories would attend; 120 people attended Geneva signature. NGOs might need subsidy to attend. Some companies and additional Montreux Govts might observe.

³ Based on costs extrapolated from signature ceremony budget

⁴ Based on costs quoted by suitable conference venues in London

⁵ Assumption that Exec Secretary would be someone retired who already has pension/income and would undertake post out of interest; same applies to Director of Compliance. Legal Counsel and Financial Controller at start of careers. Policy adviser could be new graduate/postgraduate.

⁶ Director of compliance/compliance officer and related office costs could eventually be funded from certification costs, a process which should be self financing.

Total Secretariat £498,444.00

D. Office costs

Rent £19,200.00 (at £16.00 per sq foot – 1200 sq ft)

Service charge £8,000.00

Rates £2,000.00

Utilities £1,000,000

IT and communications £8,000.00

Miscellaneous £2,000.00.00

Total office costs: £40,200.00

Total Operational costs: £572,644

NOTE ON DUES

1. There are 125 signatories (41 of them from the UK ; about 30 deal with maritime security). Some 20/25 companies might be considered as large, and the balance medium/small. Some companies are one-man bands, and a number do not undertake psc work but are risk advisory companies.
2. Not all signatory companies will be interested in supporting the IGOM. Decisions will depend on how far the new institution will contribute to a better business environment through a general raising of standards internationally, and whether participation will help companies secure contracts with the USG and more particularly with the private sector as much as individual company's commitment to human rights. There is little to attract maritime security companies who may support the general principles of the ICOC but operate in a distinct legal environment.
3. In order to encourage funding of the IGOM, the key needs to be as simple as possible; calculations related to turn-over or debates as to category lead to delay and disinclination.
4. A simple flat rate of £10,000 for large companies and £5,000 for medium/small companies would be simple to operate on the basis that the companies themselves identify into which category they fall. The higher the rate, the less attractive it will be.
5. On the most heroic assumptions, it is hard to see potential dues from companies achieving more than £200,000 in the first years of operation, not least taking into account the likely substantial costs of certification which will may be a first call on resources. Should all companies participate and pay their dues, the total sum from dues at the two set rates of £10,000 and £5000 would be £750,000. A more realistic estimate would be £350,00-£400,000.
6. A host Government might wish to support the start up costs of the IGOM. Notwithstanding, the Secretariat will need to be built up slowly in keeping with potential income and the business plan.

7. The Certification process should be self financing funded by annual fees from companies which could also help offset related Secretariat personnel and office costs. This would cover the Director of Compliance, the Compliance officer and related office costs.
8. Other programmes such as the grievance process might be funded by a Voluntary Trust Fund with contributions from Foundations, Aid Ministries etc or by NGOs supporting individual claimants under their own mandates.