

THE SITUATION OF THE ICCAT WORKING CAPITAL FUND

Over the past 10 years, ICCAT's financial situation has greatly improved and it has been possible to have a Working Capital Fund with a balance of up to 130% of the annual budget. This is essentially due to a significant improvement in the collection rate of annual contributions and streamlining of management expenses.

In response to this new situation, the Commission decided to use the Working Capital Fund to finance part of its activities instead of increasing annual contributions from the Contracting Parties to the regular budget.

The Secretariat has therefore requested that a statement of the current situation of the Working Capital Fund be submitted. Pursuant to the provisions of the Financial Regulations, the Commission has a Working Capital Fund and several Trust Funds in order to carry out its activities.

1. Establishment of the Working Capital Fund (see table in Annex)

The Commission has a Working Capital Fund to finance operations of the Commission prior to receiving the annual contributions and for such other purposes as the Commission may determine (Article X.9 of the Convention).

In accordance with the recommendation of the Working Group on Finances and Administration, made at its first meeting of 29 and 30 November 1971, in Madrid, "It was considered that the Working Capital Fund... should be maintained at a level of approximately 15% of the total annual budget". This recommendation was adopted by the Commission.

At 31 December 2014, the balance was €2,700,041.34, which represents 86.47% of the 2014 budget, a proportion well above that adopted by the Commission.

The Working Capital Fund is comprised of the following elements:

- Opening balance for the financial year.
- Result for the financial year:
 - Result of the settlement of revenue and expenses charged to the budget for the financial year.
 - Result of the settlement of revenue and expenses not included in the budget for the financial year.
 - Contributions from CPCs to prior budgets (arrears).

1.a Settlement of revenue and expenses charged to the budget for the financial year

The Commission approves every two years, during its regular meetings, a budget for joint expenses. The expenses budget is divided into chapters and sub-chapters, depending on the needs of the Commission.

Each CPC contributes annually to the Commission budget in the amount calculated according to the system provided in Regulation 4 of the Financial Regulations.

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The settlement of revenue and expenses charged to the budget for the financial year provides the budgetary result. At 20 October 2015, the settlement of the budget gave a positive result of €299,755.75.

1.b Settlement of revenue and expenses not included in the budget for the financial year

All the costs and revenue that are not included in the regular Commission budget and that are not part of any of the Commission's Trust Funds either (voluntary contributions for purposes that are consistent with the principles, objectives and activities of the Commission) are referred to as extra-budgetary.

Currently, the Commission has approved the following extra-budgetary costs, and at the same time, their financing via the Working Capital Fund:

- ICCAT funding through the special Meeting Participation Fund (MPF, Rec. 14-14).
- Commission Chairs' travel expenses.
- Costs for interpretation into Arabic during the Commission meeting.
- SCRS recommendations having financial implications.
- Cost for implementation of the eBCD.
- Costs relating to the intersessional meetings of the Commission.
- Other unforeseen costs, such as exchange losses.

Any revenue that does not come from CPC annual contributions is considered to be extra-budgetary revenue.

The extra-budgetary revenue received in 2015 includes the following elements:

- Observer fees for attending Commission meetings.
- Voluntary contribution from Chinese Taipei.
- Financial revenue.
- VAT refund.
- Voluntary contribution from the European Union for Commission meetings.
- Overheads from programmes and Trust Funds managed by the Secretariat.

The settlement of extra-budgetary expenses and revenue at 20 October 2015 is negative and amounts to €109,442.24.

1.c Contributions from CPCs to prior budgets (arrears) or contributions from new members of the Commission

CPCs must pay their annual contributions on 1 January of the year to which they relate. Contributions which have not been paid by 1 January of the following year are considered to be arrears.

When arrears of contributions are received, the amount is credited to the Working Capital Fund. To date, the arrears received amount to €233,225.79.

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In addition, the Financial Regulations of the Commission provide in Articles 4.4 and 4.5 that new members of the Commission whose membership becomes effective during the first six months of any year are liable to pay the full amount of the annual contribution they would have been required to pay if they had been members of the Commission when annual contributions were calculated, in accordance with the Convention. New members of the Commission whose membership becomes effective during the last six months of any year are liable to pay half the amount of the annual contribution.

The contributions paid by new CPCs are credited to the Working Capital Fund. In 2015, €2,365.01 was received under this heading, of which €1,601.96 is included in point 1b, as extra-budgetary revenue, and €763.05 is included in point 1c as arrears.

2. Evolution of the Working Capital Fund over the last 10 years

The Working Capital Fund has increased considerably in recent years. For this reason, some of the recommendations adopted by the Commission with financial implications have been covered by the Working Capital Fund (simultaneous interpretation into Arabic during the annual meeting of the Commission and the travel expenses of the Commission Chairs), as well as the increase in expenses related to the holding of Commission meetings (regular and inter-sessional).

Other expenses, covered by the Working Capital Fund, have been authorised annually during the Commission meetings, such as those related to the implementation of the eBCD and to financing of the Meeting Participation Fund (MPF).

Since 2012, a turning point has occurred since increasing use has been made of this fund, which has led to a significant reduction as shown in the table below.

	Budget	Working Capital Fund	%
2005	2,172,222.94	851,589.74	39.20%
2006	2,172,222.94	1,332,616.64	61.35%
2007	2,323,024.11	1,682,978.90	72.45%
2008	2,442,052.26	2,111,576.43	86.47%
2009	2,714,755.90	2,180,333.21	80.31%
2010	2,917,577.25	2,575,716.95	88.28%
2011	2,960,542.49	3,586,898.43	121.16%
2012	2,966,356.73	3,798,432.00	128.05%
2013	3,025,599.85	3,570,895.20	118.02%
2014	3,122,635.17	2,700,041.34	86.47%

3. Possible options for use of the Working Capital Fund in 2016

The expenses which could affect the Working Capital Fund in 2016 are as follows.

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The Secretariat has proposed the creation of a new chapter within the expenses budget called “Chapter 12 – Compliance”. This chapter will allow for regularisation of the portion of expenses required for creation and maintenance of the databases, as well as hosting of the server in the cloud, following the Recommendations adopted by ICCAT, related in particular to Monitoring, Control and Surveillance (MCS) and implementation of the eBCD programme. To date, the expenses incurred under these headings and others have been covered by the Working Capital Fund, but given that it is an expense that will occur on a regular basis, it should be included in the Commission's budget. It is expected that the minimum expenses required under this heading will be approximately €195,000.00/year.

Following the adoption of the *Recommendation by ICCAT concerning the implementation of an Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP)* [Rec. 14-02], the Secretariat signed a contract with the European Union to finance the programme. The programme budget was €15,000,000.00 of which €1,520,000.00 should be financed by voluntary contributions from ICCAT CPCs. In 2015, signing the contract with the EU was a matter of urgency; otherwise, ICCAT could have lost these funds. Following deduction of the contributions received from the United States (€7,400.00) and Chinese Taipei (€25,000.00), ICCAT would have to finance €1,417,600.00 over five years. Therefore, if no new contributions are received, the Commission must allocate €83,520.00/year over five years from the Working Capital Fund to meet its commitments with the EU.

The cost of SCRS recommendations for 2016 and 2017 which require financing have been estimated at €10,107.14 for 2016 and €84,200.00 for 2017.

The Secretariat has estimated that to cover the travel requests submitted within the framework of the MPF in 2016 and 2017, some €200,000.00/year would be needed.

The Working Capital Fund receives extra-budgetary contributions by way of overheads for programmes currently managed by the Secretariat. The average revenue from overheads over the past few years has been approximately €100,000.00/year. Moreover, a contribution of €100,000.00 is also received annually from Chinese Taipei. In addition to this revenue, the amount of VAT refunded to the Commission in respect of its purchases is approximately €5,000.00/year and the bank interest earned on these deposits will amount to €8,000.00 in 2015.

Finally, many CPCs do not contribute to the annual budget, but they subsequently pay their arrears of contributions to previous budgets. The average is approximately €20,000.00/year.

All this extra-budgetary revenue is credited directly to the Working Capital Fund and allows to offset the shortfall due to the delay in payment by some CPCs of annual contributions to the budget, and to meet expenses. It should be highlighted that in the last 5 years, there has always been a shortfall, except in 2011:

2010	2011	2012	2013	2014
(€3,978.79)	€8,097.20	(€180,681.57)	(€109,346.18)	(€197,313.82)

In view of the foregoing, there may be some potential options for use of the Working Capital Fund in 2016.

a) Option 1. Minimum use of the Working Capital Fund

According to this option:

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- the Commission would approve the inclusion of Chapter 12 in the regular budget and any expense related to the development of any web application would be met through contributions from CPCs;
 - CPCs would provide sufficient voluntary contributions for the AOTTP so as to avoid use of the Working Capital Fund;
 - the costs of SCRS recommendations would be included in the regular budget of the Commission; and
 - the costs of the MPF would be included in the regular budget of the Commission.

If payments under the above headings were met and arrears and extra-budgetary revenue were received in the amount of €543,000.00 (as shown in the table), the Working Capital Fund would be maintained at 70% in 2016 (% based on the 2015 budget).

b) Option 2: Partial use of the Working Capital Fund

This option reflects an intermediate situation:

- the Commission would approve the inclusion of Chapter 12 in the regular budget and any expense related to the development of any web application would be met through CPC contributions;
- CPCs would make voluntary contributions for half the budget necessary annually for the AOTTP; and ICCAT, through the Working Capital Fund, would finance the other half on a yearly basis;
- the costs of SCRS recommendations would be covered by the Working Capital Fund; and
- the MPF would receive voluntary contributions which would cover half of the estimated funds necessary for the MPF.

If payments under the above headings were met and arrears and extra-budgetary revenue were received in the amount of €383,000.00 (see table), the Working Capital Fund would stand at 41% in 2016 (% based on the 2015 budget).

c) Option : Use of the Working Capital Fund to finance all activities not budgeted for

According to option 3:

- the Commission **would not** approve the inclusion of Chapter 12 in the regular budget and any expense related to the development of any web application **would not** be met through CPC contributions;
- CPCs **would not** make **any** voluntary contribution to the AOTTP;
- the costs of SCRS recommendations would be covered by the Working Capital Fund; and
- the financing necessary for the MPF would be covered by the Working Capital Fund.

If the above occurred and only €23,000.00 was received in extra-budgetary revenue (see table), the Working Capital Fund would be around 23% in 2016 (% based on 2015 budget), which comes close to the recommendation that it should be around 15% of the budget.

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		a) (euros)	b) (euros)	c) (euros)
	Balance 01-01-16	1,692,153.26	1,692,153.26	1,692,153.26
Revenue	Arrears	320,000.00	160,000.00	0.00
	Programme overheads	100,000.00	100,000.00	100,000.00
	Voluntary contribution from Chinese Taipei	100,000.00	100,000.00	100,000.00
	VAT	15,000.00	15,000.00	15,000.00
	Bank interest	8,000.00	8,000.00	8,000.00
Expenses	Creation/maintenance of compliance databases	0.00	0.00	-195,000.00
	ICCAT contribution to AOTTP	0.00	-141,760.00	-283,520.00
	SCRS recommendations	0.00	-510,107.14	-510,107.14
	MPF financing	0.00	-100,000.00	-200,000.00
	Total	2,235,153.26	1,323,286.12	726,526.12
	15% of 2015 budget (€3,199,887.87)	479,983.18	479,983.18	479,983.18

4. Trust Funds

The remainder of activities not covered by the Working Capital Fund are covered by the Trust Funds.

Regulation 8 of the Financial Regulations provides that the Executive Secretary may accept on behalf of the Commission voluntary contributions whether or not in cash from CPCs or from other sources, provided that the purposes for which such voluntary contributions have been made are consistent with the policies, aims and activities of the Commission. The Commission will be informed of any funds that are established.

5. Approval procedures for use of the Working Capital Fund

The revenue and expenses of the Trust Funds are maintained in separate accounts in accordance with Regulation 9 of the Financial Regulations.

To date, the use of the Working Capital Fund has been approved by the Commission at its annual or special meeting. However, it may be necessary to use this fund in response to an emergency which arises during the intersessional period between Commission meetings. This is what happened in 2015 for the financing of the Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP). No procedure is provided in the Financial Regulations. It has been proposed to the Commission to adopt a procedure which would authorise the Commission and STACFAD Chairs to instruct the Executive Secretary for use of the Working Capital Fund in order to respond to urgent needs. This authorisation may relate to 10 to 15% of the funds, according to needs.

Situation of the Working Capital Fund at 20 October 2015

<i>Working Capital Fund</i>		<i>Year 2015</i>
Opening balance		2,700,041.34
Result for year: a) + b) + c)		424,302.33
a) Budgetary result		299,755.75
<i>Budgetary revenue</i>		2,595,378.20
<i>Budgetary expenses (Chapters 1 to 11)</i>		-2,295,622.45
b) Extra-budgetary result		-109,442.26
<i>Extra-budgetary revenue</i>		785,926.87
<i>Extra-budgetary expenses</i>		-895,369.13
• <i>MPF financing</i>	-74,000.00	
• <i>Travel by Chairs</i>	-39,486.34	
• <i>Recommendations approved for the SCRS - actual expense</i>	-124,495.21	
• <i>Intersessional Meeting of Panel 2/10th Meeting of the IMM Working Group</i>	-65,173.25	
• <i>1st Meeting of the Ad Hoc Working Group on FADs</i>	-10,018.25	
• <i>Meeting of the Working Group on Convention Amendment</i>	-63,828.58	
• <i>Standing Working Group to Enhance Dialogue between Fisheries Scientists and Managers (SWGSM) / Standing Working Group of Fisheries Managers and Scientists in Support of the Western Atlantic Bluefin Tuna Stock Assessment (WBFTWG)</i>	-76,117.85	
• <i>2015 Commission meeting</i>	-439,697.01	
• <i>Other expenses</i>	-2,552.64	
c) Contributions paid in the year to previous budgets		233,988.84
<i>Contributions to regular budgets</i>		233,225.79
<i>Contributions from new Contracting Parties to previous budgets</i>		763.05
AVAILABLE BALANCE AT 20 OCTOBER 2015		3,124,343.67
Estimated expenses to 31 December 2015:		
Recommendations approved for the SCRS		-60,555.92
2015 Commission meeting		-144,828.38
Budgetary expenses		-876,832.65
Implementation of the eBCD		-318,173.47
Simultaneous interpretation into Arabic and travel by Chairs		-31,800.00
ESTIMATED BALANCE AT 31 DECEMBER 2015		1,692,153.25
AOTTP (€1,520,000.00 - €102,400.00) payable in 5 years		-1,417,600.00