

THE SITUATION OF THE ICCAT WORKING CAPITAL FUND**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 2016, the balance was €843,923.95, which represents 23.21% of the 2017 budget, a proportion which is 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.

The settlement of revenue and expenses charged to the budget for the financial year provides the budgetary result. At 20 October 2017, the settlement of the budget gave a positive result of €387,737.19.

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 budget of the Commission 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 meetings of the Commission.
- Other unforeseen costs, such as exchange losses.

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

The extra-budgetary revenue received in 2017 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 the 2016 Commission meeting.
- Voluntary contribution from Morocco for the 2017 Commission meeting.
- Voluntary contribution from the FAO for the meeting of the Port Inspection Expert Group for Capacity and Assistance.
- Overheads from programmes and Trust Funds managed by the Secretariat.

The settlement of extra-budgetary expenses and revenue at 20 October 2017 is negative and amounts to €22,769.72.

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 €487,597.45.

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 2017, €753.79 was received under this heading, which 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	%
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%
2015	3,199,887.87	1,823,382.55	56.98%
2016	3,392,031.52	843,923.95	24.88%

3 Possible options for use of the Working Capital Fund in 2018

In accordance with the evolution of the Working Capital Fund over the past five years, and reflecting the request of some delegations during the STACFAD sessions to incorporate the financing of regular activities into the Commission budget, the Secretariat has prepared a draft budget for 2018-2019 which includes some changes in the chapters and creation of others to progressively regularise the extra-budgetary expenses that are regular, and which therefore should be included in the regular budget of the Commission.

The first change is to rename the current chapter 11 – Research programmes, which currently only contains one subchapter which finances the ICCAT Enhanced Program for Billfish Research. It is proposed to call chapter 11 “Research Strategic Programme”, so that it includes all the activities required by the SCRS, including the ICCAT Enhanced Program for Billfish Research. The amounts proposed in the draft budget are €100,000.00 for 2018 and €412,000.00 for 2019.

As the amount required by the SCRS to cover activities in 2018 is €400,000.00, €300,000.00 will be needed in addition to the amount contained in the draft budget.

It is also proposed to create a new chapter within the expenses budget called “Chapter 13 – Travel”, which would contain two subchapters, one destined to finance travel by ICCAT chairs, and another to finance the special Meeting Participation Fund. As in the previous case, the proposed amounts for the chapter would be increased gradually in 2018 and 2019, so that after the biennial period these headings within the Commission budget would be regularised. It is proposed to destine €150,000.00 for 2018 and €255,000.00 for 2019.

In addition, it has been proposed to increase considerably chapter 3, to finance, in addition to the usual expenses related to the annual meeting of the Commission, the costs arising from intersessional meetings, since in recent years three or four meetings have usually been held, as well as the expenses incurred for interpretation into Arabic during the Commission meeting.

The last significant increase is to regularize the financing of chapter 12 – Compliance, to adjust some more the budget to actual expense.

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Apart from the above, the expenses which could affect the Working Capital Fund in 2018 are as follows.

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 or ICCAT CPCs. Should voluntary contributions not be received, the expected contribution by ICCAT to the programme would be €467,544.32.

With the current situation of the Working Capital Fund and at the levels presumed for year-end 2017, there are not many options for use of this fund, since the expected percentage would be below the recommended 15%. This is why it is necessary to incorporate without delay into the regular budget of the Commission those activities which were covered by the fund in the previous years, so that this does not affect the work carried out by the Secretariat.

Nevertheless, possible options are presented for use of the Working Capital Fund in 2018.

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

According to this option:

- the Commission would approve the draft budget proposal included in document STF_203;
- CPCs would provide sufficient voluntary contributions to finance the third year of the AOTTP so as to avoid using the Working Capital Fund;
- the costs of SCRS recommendations not covered by the new chapter 11 of the budget would be covered by the balances of the Trust Funds: the ICCAT Enhanced Program for Billfish Research and the special Scientific Capacity-building Fund (SCBF), as well as other special funds (€300,000.00).

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

This option reflects an intermediate situation:

- The Commission would approve the draft budget proposal included in document STF-203;
- CPCs would make voluntary contributions for half the budget that is required annually by the AOTTP; and ICCAT, through the Working Capital Fund, would finance the other half on a yearly basis;
- The costs of SCRS recommendations not covered by the new chapter 11 of the budget would be covered by the balances of the Trust Funds: ICCAT Enhanced Program for Billfish Research and the special Scientific Capacity-building Fund (SCBF), as well as other special funds (€300,000.00).

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 draft budget proposal included in document STF_203;
- CPCs **would not** make **any** voluntary contribution to the AOTTP;

If the above circumstances occurred, the Commission would not be able to finance in the two coming years:

- Any intersessional meeting;
- Any SCRS activity;
- Funds could not be allocated to the special Meeting Participation Fund;
- Travel by ICCAT chairs could not be financed;
- Interpretation into Arabic could not be provided in the Commission meeting.

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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.

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

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Annex

<i>Composition and balance of the Working Capital Fund (€) (at 20 October 2017)</i>	<i>Year 2017</i>	<i>Percentage with respect to 2017 budget (€3,635,672.15)</i>
Opening balance for the financial year	843,923.95	23.21%
Result for financial year a) + b) + c)	853,318.71	23.47%
a) Budgetary result	387,737.19	
<i>Budgetary income</i>	2,670,377.18	
<i>Budgetary expenses (Chapters 1 to 12)</i>	2,282,639.99	
b) Extra-budgetary result	-22,769.72	
Extra-budgetary revenue	1,269,337.19	
<i>Voluntary contributions:</i>		
<i>Observer fees for ICCAT meetings</i>	20,130.64	
<i>From ICCAT Regional Observers Programme for At-Sea Transshipment</i>	10,000.00	
<i>From ICCAT Regional Observers Programme for eastern Atlantic and Mediterranean bluefin tuna (ROP-BFT)</i>	39,176.03	
<i>From ICCAT Atlantic-wide Research Programme for Bluefin Tuna (GBYP)</i>	10,000.00	
<i>From ICCAT-Japan Capacity-building Assistance Project (JCAP)</i>	15,989.00	
<i>From Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP)</i>	193,016.94	
<i>Chinese Taipei contribution to ICCAT</i>	100,000.00	
<i>Financial revenue</i>	72.27	
<i>VAT refund</i>	22,410.69	
<i>Miscellaneous revenue</i>		
<i>Exchange gains</i>	0.48	
<i>Other revenue received</i>	698.01	
<i>From Commission meetings</i>		
<i>From 20th Special Meeting of the Commission (2016) - Vilamoura, Portugal</i>	161,649.13	
<i>From 25th Regular meeting of the Commission (2017) - Marrakesh, Morocco</i>	680,000.00	
<i>From the Meeting of the Port Inspection Expert Group for Capacity and Assistance - Madrid, Spain</i>	16,194.00	
Extra-budgetary expenses	1,292,106.91	
<i>Exchange losses</i>	38.12	
<i>Expenses Chairs' travel</i>	57,977.17	
<i>Expenses simultaneous interpretation into Arabic</i>	496.13	
<i>Expenses eBCD - TRAGSA implementation</i>	-7,981.82	
<i>Approved recommendations of SCRS</i>	71,205.82	
<i>ICCAT financing of special Meeting Participation Fund (MPF)</i>	200,000.00	
<i>ICCAT financing of Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP)</i>	345,578.99	
<i>Mediterranean Swordfish Stock Assessment Meeting - Madrid, Spain</i>	14,621.54	
<i>Meeting of the Working Group on Convention Amendment / Meeting of the Ad Hoc Working Group on Follow Up of the Second ICCAT Performance Review / Meeting of the Standing Working Group to Enhance Dialogue Between Fisheries Scientists And Managers - Madrid, Spain</i>	31,106.44	
<i>3rd Meeting of the Ad Hoc Working Group on FADs - Madrid, Spain</i>	11,919.21	
<i>Meeting of the Port Inspection Expert Group For Capacity And Assistance - Madrid, Spain</i>	34,902.32	

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<i>2017 Commission meeting - Marrakech, Morocco</i>	<i>532,242.99</i>	
c) Contributions paid in the financial year to previous budgets	488,351.24	
<i>Contributions to regular budgets</i>	<i>487,597.45</i>	
<i>Contributions from new Contracting Parties to previous budgets</i>	<i>753.79</i>	
Available balance at 20 October 2017	1,697,242.66	46.68%
Estimated expenses (to year-end 2017)	1,446,756.92	
Estimated balance at year-end 2017	250,485.74	6.89%