

POSITION OF THE ICCAT WORKING CAPITAL FUND

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

The Commission has a Working Capital Fund to finance operations of the Commission prior to receiving 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 Finance and Administration at its meeting held on 29, 30 November and 1 December 1971, in Madrid, "It was considered that the Working Capital Fund... should be maintained at an approximate level of 15% of the total annual budget". This recommendation was adopted by the Commission.

At 31 December 2018, the balance was €697,504.77, which represents 18.27% of the budget for 2018, 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 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 budget of the Commission an amount calculated in accordance with a system established 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 25 October 2019, the settlement of the budget gave a positive result of €233,571.75.

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 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 through the Working Capital Fund:

- Travel expenses of the First Vice Chair of the Commission
- Travel expenses of the SCRS rapporteurs
- Costs for interpretation into Arabic during the Commission meeting
- Costs related to Commission meetings
- ICCAT financing of Atlantic Ocean Tropical tuna Tagging Programme (AOTTP)
- Other unforeseen costs, such as exchange losses

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

Extra-budgetary revenue received in 2019 is:

- Observer fees for ICCAT meetings
- Voluntary contribution from Chinese Taipei
- Financial revenue
- VAT refund
- Voluntary contribution from the European Union for the 2018 Intersessional Meeting of Panel 1
- Voluntary contribution from the European Union for the Meeting of the Compliance Committee (COC) and the 21st Special Meeting of the Commission
- Voluntary contribution from the European Union for the Joint t-RFMO Bycatch Working Group Meeting
- 2019 Panel 1 Meeting / 26th Regular Meeting of the Commission
- Revenue from programmes and trust funds managed by the Secretariat

The settlement of extra-budgetary expenses and revenue at 25 October 2019 amounts to €470,321.93.

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 that 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 €358,939.79.

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 2019, no contribution has been received under this heading.

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

From 2008 to 2012, the Working Capital Fund increased considerably. 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 intersessional).

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

	<i>Budget</i>	<i>Working Capital Fund</i>	<i>%</i>
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%
2017	3,635,672.15	701,586.18	19.30%
2018	3,817,573.51	697,504.77	18.27%

3. Potential options for use of the Working Capital Fund in 2020

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 2020-2021 which includes some changes in the chapters and creation of others to progressively continue to regularise the extra-budgetary expenses that are regular, and which therefore should be included in the regular budget of the Commission.

Regularization of activities within the budget of the Commission

In 2017 the Commission approved implementation of this regularization over a four-year period so that it would not significantly impact Contracting Party contributions. The activities that required and are in the process of regularisation are:

- *Chapter 3. Commission meetings (annual & intersessional):* Increase this chapter to cover the expenses of interpretation into Arabic, two intersessional meetings and the full costs of the annual meeting of the Commission.

The draft budget for 2020 and 2021 that has been submitted for review, includes not only the expenses relating to the Secretariat staff and interpreters that participate in the meeting, but also the costs for interpretation into Arabic.

The inclusion of the total costs for the holding of two intersessional meetings and the annual meeting, corresponds to a 26% increase in the budget compared with 2019. The Secretariat requests that the Commission establish measures to cover these costs in 2020 and 2021, since this cost cannot be financed through the Working Capital Fund.

- *Chapter 11. Strategic Research Fund:* Increase this chapter to cover all the activities required by the SCRS.

In 2019, this programme has been financed through Chapter 11 of the ICCAT budget (€150,000.00), a voluntary contribution from Chinese Taipei (€3,000.00), financing by the European Union through a signed contract which will cover 80% of the costs estimated to be €850,800.00 and from the United States which will cover the costs related to marlins through the special Data Fund.

For 2020, the Secretariat has once again requested that the European Union finance 80% of the activities covered by the programme. While the process is currently pending formalisation, these funds would mean that it is not necessary to use the Working Capital Fund for this purpose in 2020, since the Commission budget does not yet cover all the costs and activities required by the SCRS.

- *Chapter 12. Maintenance of compliance database*

In 2018, it was approved that as from 2019, the expenses of the electronic Bluefin tuna Catch Documentation (eBCD) System would be financed through additional annual contributions from Commission members that catch and/or trade Atlantic bluefin tuna.

The draft ICCAT budget for 2020 and 2021 includes the new financing with a 88% decrease in Chapter 12.

- *Chapter 13. Travel:* This Chapter of the budget, which contains three subchapters (Travel by the ICCAT and SCRS Chairs, special Meeting Participation Fund and Travel by ICCAT Officers (ICCAT develop Contracting Parties), has been regularised in the draft budget for 2020 and 2021, and therefore would not need to be financed through the Working Capital Fund.

Other than the above expenses, the following expense could affect the Working Capital Fund in 2020.

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 budget for the programme was set at €15,000,000.00 of which €1,520,000.00 was to be financed through voluntary contributions from ICCAT or ICCAT CPCs. If no new voluntary contributions are received, the envisaged ICCAT contribution to the programme will be €91,496.20.

It should be noted that in the fifth year of the AOTTP it is envisaged that the contribution from ICCAT to the programme through indirect expenses, will amount to €130,546.71, which could compensate for the contribution for 2020.

a) Use of the Working Capital Fund

Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP)

The contract signed with the European Union for AOTTP establishes that the contribution for the fifth year will be provided following completion of all the activities and submission of the supporting documents, i.e. the contribution will be received on completion of the contract (November 2020). Therefore, from November 2019 to November 2020, the programme does not have liquidity.

In order to continue with the activities until the end of the contract and receive the final contribution from the European Union, it will be necessary for the Commission to establish measures to solve the programme's cash flow issue.

As a possible option, the Secretariat has requested information regarding provision of the necessary funds estimated to be €1,200,000.00 by a banking entity. Although it has not been confirmed to be a viable option, the credit line contemplated would involve addition of an expense for banking costs that would have to be covered by ICCAT, since this cost would not be included in the AOTTP budget.

Another option would be that the balance of the Working Capital Fund would be available to the Secretariat to provide the AOTTP with liquidity. Given that it is foreseeable that the balance of the Working Capital Fund would not be sufficient, the Secretariat also proposes that the Commission allow making the balances of the trust funds available, provided that this does not affect the development of their activities, to add liquidity as needed.

Approval of the second option would be beneficial and viable, since it would not involve incurring an extra-budgetary expense for ICCAT by way of bank interest that would have to be paid to the entity providing the credit, and in addition, it would ensure continuance of all the activities of the trust funds, since the Secretariat would be able at all times to choose the fund whose balance could be used for providing liquidity, in accordance with the activities that are required and that are carried out in 2020.

According to the contracts with the European Union, it is estimated that the final contribution will be provided in the month following submission of the final reports and supporting documents of the programme. Therefore, it is envisaged that by December 2020 the contribution would be received in the Commission's accounts, and therefore, all the funds would be regularised.

CPCs with arrears are urged to settle their debts with the Commission as soon as possible, which would provide more leeway regarding the cash flow situation of the AOTTP.

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.

<i>Composition and balance of the Working Capital Fund (€) (at 25 October 2019).</i>	<i>Financial year 2019</i>	<i>Percentage with respect to 2019 budget (€4,008,554.98).</i>
Opening balance for the financial year	697,504.77	17.40%
Result for financial year: a) + b) + c)	1,062,833.47	26.51%
a) Budgetary result	233,571.75	
Budgetary revenue	2,982,521.97	
Budgetary expenses (Chapters 1 to 13)	2,748,950.22	
b) Extra-budgetary result	470,321.93	
Extra-budgetary revenue	1,169,743.07	
Voluntary contributions:		
Observer fees for ICCAT meetings	16,580.66	
From ICCAT Regional Observers Programme for At-Sea Transshipment	10,000.00	
From ICCAT Regional Observers Programme for eastern Atlantic and Mediterranean bluefin tuna (ROP-BFT)	42,288.46	
From ICCAT Atlantic-wide Research Programme for Bluefin Tuna (GBYP)	20,000.00	
From ICCAT/Japan Capacity-building Assistance Project (JCAP)	11,853.10	
From Atlantic Ocean Tropical Tuna Tagging Programme (AOTTP)	165,382.77	
Chinese Taipei contribution to ICCAT	100,000.00	
Financial revenue	1,142.34	
VAT refund	16,055.99	
Miscellaneous revenue		
From Commission meetings		
Intersessional Meeting of Panel 1 - Bilbao, Spain	16,364.22	
21st Special Meeting of the Commission - Dubrovnik, Croatia	161,075.53	
The Joint t-RFMO Bycatch Working Group, Porto, Portugal	140,000.00	
Panel 1 Meeting and 26th Regular Meeting of the Commission, Palma de Mallorca, Spain	469,000.00	
Extra-budgetary expenses	1,070,943.48	
Exchange losses	1.15	
Travel expenses - ICCAT Vice Chair	306.79	
Travel expenses - SCRS Rapporteurs	18,860.16	
ICCAT financing of Atlantic Ocean Tropical tuna Tagging Programme (AOTTP)	73,100.90	
Intersessional Meeting of Panel 2	25,795.81	
Meeting of the Technical and Legal Editing Group of Contracting Parties, Madrid, Spain	12,100.29	
Meeting of the Working Group on Integrated Monitoring Measures (IMM), Madrid, Spain	20,001.52	
Intersessional Meeting of Panel 1 and 2019 Commission Meeting, Palma de Mallorca, Spain	78,103.38	
The Joint t-RFMO Bycatch Working Group, Porto, Portugal	68,577.62	
c) Contributions paid in the financial year to previous budgets	358,939.79	

Contributions to regular budgets	358,939.79	
Contributions from new Contracting Parties to previous budgets	0.00	
Available balance at 25 October 2019	1,760,338.24	43.91%
Estimated costs (to 31 December 2019)	1,302,011.53	
Estimated balance at 31 December 2019	458,326.71	11.43%