

POSITION OF THE ICCAT WORKING CAPITAL FUND

1. Establishment of the Working Capital Fund

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 2021, the balance was €2,039,057.97, which represents 45.42% of the 2021 budget, a level which is above that adopted by the Commission. The percentage for financial year 2021 is higher because it continued to be affected by the consequences of the COVID-19 pandemic; there were virtually no expenses under any of the chapters related to travel and in-person meetings, as well as chapters related to research programmes whose activities are still halted.

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 paid by Contracting Parties to previous budgets (arrears).

The table in the **Annex** contains the situation of the Working Capital Fund at 21 October 2022.

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 Contracting Party 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 31 October 2022, the settlement of the budget gave a positive result of €150,617.04.

In 2022, the trend continued in that many Contracting Parties did not pay their contributions. So much so that, at 31 October 2022, only 31 Contracting Parties had paid in full their contributions for this financial year and 17 have fully outstanding contributions. The debt due to outstanding contributions to the 2022 budget is €1,029,227.28.

It is vitally important for the work of this Commission that all Contracting Parties meet their budgetary obligations.

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 do not fall under 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 by extension, their financing through the Working Capital Fund:

- A portion of the costs related to Commission meetings.
- A portion of the costs related to in-person and online intersessional meetings.
- Expenses for simultaneous interpretation into Arabic.
- Other unforeseen costs, such as an external contract for implementation of remote electronic monitoring (REM).

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

Extra-budgetary revenue received in 2022 is:

- Observer fees for ICCAT meetings
- Voluntary contribution from Chinese Taipei
- Financial revenue
- Refund of input VAT
- Voluntary contribution from the European Union for the Meeting of Panel 4 and the 23rd Special Meeting of the Commission.
- Revenue from programmes and trust funds managed by the Secretariat.

The result of the settlement of extra-budgetary expenses and revenue at 21 October 2022 is negative, amounting to -€353,667.77.

1.c Contributions from Contracting Parties to previous budgets (arrears) or contributions from new Commission members

Contracting Parties 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 in arrears.

When arrears of contributions are received, the amount is credited to the Working Capital Fund. To date, the arrears received amount to €509,459.94. It should be noted that some Contracting Parties are making considerable efforts to reduce their accumulated arrears.

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.

Contributions paid by new Contracting Parties are credited to the Working Capital Fund. In 2022, no contribution has been received under this heading.

As in point 1.a of this document, it is necessary to highlight non payment by Contracting Parties as regards their budgetary obligations. At 21 October 2022, the accumulated debt of the Contracting Parties is €2,628,668.61 (54.89% of the 2022 budget), and the amount of €1,599,441.33 corresponds to arrears.

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).

2012 marked a turning point. Since then, increasing use has been made of this fund, and it has experienced a significant reduction, as shown in the table below.

| | <i>Budget</i> | <i>Working Capital Fund</i> | <i>%</i> |
|------|---------------|-----------------------------|----------|
| 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 % |
| 2019 | 4,008,554.98 | 578,133.92 | 14.42 % |
| 2020 | 4,222,708.17 | 891,080.91 | 21.10 % |
| 2021 | 4,489,286.68 | 2,039,057.97 | 45.42 % |

In the past two years, there has been a turning point in the Working Capital Fund, which has recovered significantly. It should be noted that this recovery is essentially due to the reduction in expenses under the chapters that have been affected by the COVID-19 pandemic (related to travel and in-person meetings, as well as research programmes), and therefore cannot be considered a change in trend.

3. Potential options for use of the Working Capital Fund in 2023

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 last draft budgets have included some changes in the chapters and creation of others to progressively continue to regularise the extra-budgetary expenses that 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. This regularisation will have to be extended in the next few budgets, to cover activities that require regularisation but for which regularisation has not yet been possible:

- *Chapter 3. Commission meetings (annual & intersessional).* Increase this chapter to cover the expenses of two intersessional meetings and the full costs of the annual meeting of the Commission (€1,300,000.00).

The inclusion of the total costs for holding two intersessional meetings and the annual meeting, would correspond to a 30% increase for 2023, rather than the 5% submitted for approval. The Secretariat requests that the Commission establish measures to cover these costs in 2023, since this cost cannot be financed through the Working Capital Fund.

- *Chapter 8.g. Scientific meetings (including SCRS).* Increase this chapter to cover the expenses for holding the Species Groups Meetings outside of the Secretariat (€80,000.00).

- *Chapter 8.h. Interpretation at SCRS meetings.* This subchapter was established in 2022 to cover six days of interpreting expenses for SCRS meetings (€38,700.00). This amount must be updated when the Commission approves the 2023 SCRS meetings that will have interpretation. For that purpose, Appendix 1 of STF_209 contains the ranking of meetings that need interpretation, the cost of which ranges between €141,900.00 and €290,250.00 (depending on the number of French and Spanish speaking participants), in addition to the cost of carrying out the meetings in hybrid format (€140,000.00).

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

In 2022, this programme has been financed through Chapter 11 of the ICCAT budget (€404,500.00), a voluntary contribution from Chinese Taipei (€4,000.00), financing by the European Union through a contract signed which will cover 80% of the costs estimated to be €701,385.00 and from the United States which will cover the costs related to billfish and tagging activities in the North-West Atlantic following the close of the AOTTP through the special Data Fund. In addition, the activities of the Atlantic-wide Research Programme for Bluefin Tuna (GBYP) are wholly financed by voluntary contributions, the European Union covering 80%. The GBYP has a budget of €1,500,000.00.

For 2023, the Secretariat has been working closely with some CPCs that usually make voluntary contributions to secure the additional funds to finance the activities covered by the Strategic Research Programme (€981,500.00), as well as the activities of the Atlantic-wide Research Programme for Bluefin Tuna (€1,250,000.00). These funds mean that it is not necessary to use the Working Capital Fund in 2023 for this purpose. Given that the Commission budget does not yet cover all the costs and activities required by the SCRS, the Commission is encouraged to strengthen Chapter 11 in the upcoming budgets so as to regularise all SCRS activities within the budget.

- *Chapter 13.a and 13.c. Travel by ICCAT and SCRS Chairs and Travel by ICCAT Officers (developing ICCAT Parties).* It will be necessary to increase these subchapters due to the increase in SCRS meetings.

a) Use of the Working Capital Fund

For 2023 it will be necessary to continue to use the Working Capital Fund for holding intersessional meetings both in-person and online. In 2022, 15 intersessional meetings were held online, which have required financing for simultaneous interpreting, and one in-person meeting was held outside of the Secretariat which has required room and equipment hire, as well as travel by staff. 80% of the costs of twelve of these meetings has been financed by the European Union. For 2023, the European Union will contribute to the financing of some intersessional meetings, but it will be necessary to complete and establish the financing of the intersessional meetings once the 2023 schedule has been approved.

It will also be necessary to utilise the Working Capital Fund to supplement the financing of travel by the ICCAT and SCRS Chairs as well as travel by ICCAT Officers that is not covered within the budget under subchapters 13.a) and 13c).

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 Contracting Parties 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 21 October 2022)</i> | <i>Financial year 2022</i> | <i>Percentage with respect to 2022 budget (€4.788.676,85).</i> |
|---|----------------------------|--|
| Opening balance for the financial year | 2,039,057.97 | 42.58% |
| Result for financial year: a) + b) + c) | 306,409.21 | 6.40% |
| a) Budgetary result | 150,617.04 | |
| Budgetary revenue | 3,759,449.52 | |
| Budgetary expenses (Chapters 1 to 15) | 3,608,832.48 | |
| b) Extra-budgetary result | (353,667.77) | |
| Extra-budgetary revenue | 728,743.53 | |
| Voluntary contributions: | | |
| Observer fees for ICCAT meetings | 4,597.00 | |
| From ICCAT Regional Observers Programme for At-Sea Transshipment | 18,648.92 | |
| From ICCAT Regional Observers Programme for eastern Atlantic and Mediterranean bluefin tuna (ROP-BFT) | 59,061.86 | |
| From ICCAT Atlantic-wide Research Programme for Bluefin Tuna (GBYP) | 20,000.00 | |
| ICCAT/Japan Capacity-building Assistance Project (Phase 2) (JCAP-2) | 14,768.20 | |
| Chinese Taipei contribution to ICCAT | 100,000.00 | |
| Financial revenue | 458.05 | |
| VAT refund | 18,921.90 | |
| Miscellaneous (exchange gains) | 2,287.60 | |
| From Commission meetings | | |
| Meeting of Panel 4 and 23rd Special Meeting of the Commission | 490,000.00 | |
| Extra-budgetary expenses | 1,082,411.30 | |
| Simultaneous interpretation into Arabic | 1,056.00 | |
| Call for tenders for implementation of remote electronic monitoring (REM) | 2,500.00 | |
| Refund of balance of the Intersessional Meeting of Panel 1 (2019) | 59,500.00 | |
| Meeting of Panel 1 and online meetings of Panel 2, IMM, CDS, EMS, eBCD, IOMS and labour standards | 262,957.09 | |
| Online meetings of Panel 1, 2 (MSE) and EMS | 18,686.31 | |
| 2022 Commission meetings | 737,711.90 | |
| c) Contributions paid in the financial year to previous budgets | 509,459.94 | |
| Contributions to regular budgets | 509,459.94 | |
| Contributions from new Contracting Parties to previous budgets | 0.00 | |
| Available balance at 31 October 2022 | 2,345,467.18 | 48.98% |
| Estimated costs (to 31 December 2022) | 1,331,695.89 | |
| Estimated balance at 31 December 2022 | 1,013,771.29 | 21.17% |