
9TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Held remotely, 18, 21 and 22 January 2022 (NZDT)

FAC 9 – Doc 05.2 SPRFMO Contingency Fund (FR, Annex 2) *Secretariat*

1. Background

In 2016, the Commission adopted a Contingency Fund (Annex 2 of Financial Regulations¹). The Commission shall determine the level of the Contingency Fund (Annex 2, Paragraph 5) and “*the fund will accumulate over time to reach and maintain a level equivalent to three months of the approved budget*”. It was also determined (Annex 2, Paragraph 6) that “*the Commission shall review the amount available in the Contingency Fund annually.*”

The Commission’s Financial Regulation Annex 2 also provides that the Purpose of the Contingency Fund is:

“*The Contingency Fund may be used for:*

- a) Emergency expenses such as in the case of a force majeure event or a natural disaster;*
- b) Unforeseen or unforeseeable extraordinary expenses that are necessary to meet a financial obligation;*
- c) Ensuring essential operations of the Secretariat in the absence of sufficient Member contributions over and above the amount available in the Accumulated Surplus Account.*
- d) Discharging obligations in the event the Convention terminates.”*

2. FAC9 Consideration

The FAC is invited to consider:

- **Noting** that the Contingency Fund has accumulated to 33% of the level determined in Annex 2 of Financial Regulations;
- **Recommending** that the Commission approve the proposed budget amount of NZ\$30,000 for Budget Category 7.2 – Rebuilding the Contingency Fund for the Financial Year 2022-23 (as per FAC9-Doc06).

Assuming that the proposed budget is accepted then this will mean that the Contingency Fund will be rebuilt to 40% of its recommended level by 30 June 2023 (Table 1) and assuming similar levels of rebuild, it is anticipated that the Fund will be fully rebuilt around 30 June 2032.

¹ <http://www.sprfmo.int/assets/Basic-Documents/Financial-Regulations-2019-5Mar2019.pdf>



3. Current Status of the Contingency Fund

As shown in Figure 1 the shortfall of the Contingency Fund as of 25 December 2021 is NZ\$265,010, noting that three months operational cost for the 2021-22 budget is NZ\$394,337.

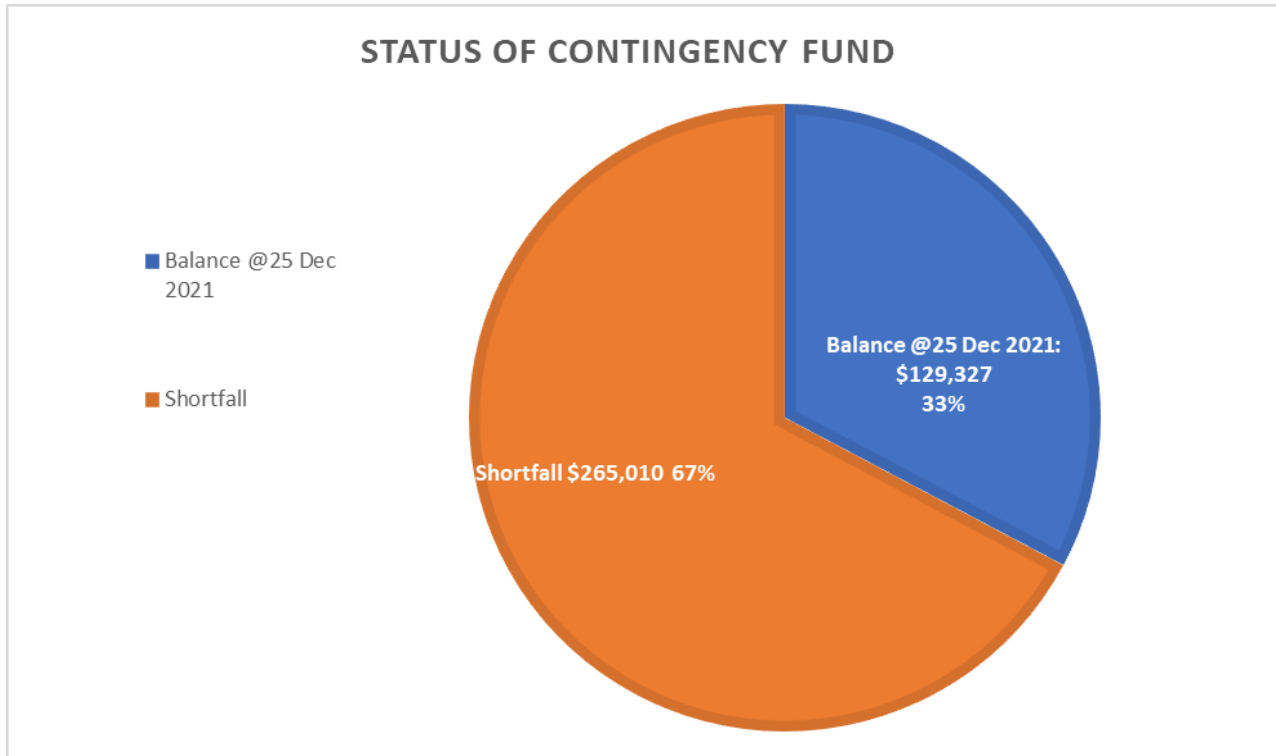


Figure 1. Status of the Contingency Fund

4. Forecast Level of the Contingency Fund

“The Commission shall determine the level of the Contingency Fund. The Contingency Fund will accumulate over time to reach and maintain a level equivalent to three months of the approved budget.” (FR, Annex 2, Para 5).

The forecast for the Contingency Fund as of 30 June 2023 (Table 1) assumes that the Budget for Financial Year 2022-23 ([FAC9-Doc06](#)) is fully adopted, and the Commission will allocate NZ\$30,000 into the Contingency Fund.

Bearing in mind last year’s decision to allocate an additional NZ\$20,000 to the Contingency Fund, and consistent with last year’s forecast, the 2022-23 allocation in the budget has been increased to NZ\$30,000. At this higher rate of rebuild the earliest date by when this fund will be fully rebuilt is forecast to be 30 June 2032.



Table 1: Historic and forecast level for the SPRFMO Contingency Fund

Financial Year	Meeting	Amount Allocated NZ\$	Balance NZ\$	% (Fund Balance/Three Months of Approved Budget)
2017-18	5 th Commission Meeting	25 000	25 000	9%
2018-19	6 th Commission Meeting	24 327	49 327	18%
2019-20	7 th Commission Meeting	20 000	69 327	24%
2020-21	8 th Commission Meeting	20 000	89 327	26%
2021-22	9 th Commission Meeting	40 000 ²	129 327	33%
2022-23	10 th Commission Meeting (Proposed budget)	30 000	159 327	40%

² At the COMM9 Meeting, the Commission accepted the [FAC8's recommendation](#), and in addition to the annual transfer of NZ\$20,000 also allocated NZ\$20,000 to the Contingency Fund from the Accumulated Surplus Account.