
8TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Held remotely, 21 to 23 January 2021

FAC 8 – Doc 04.2 rev 1

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.”*

~~The existing principle of the Commission’s Budget is “zero surplus”, i.e., the funding from the Members is equivalent to the Organisation’s expenses.~~

2. FAC8 Consideration

The FAC is invited to consider:

- *Recommending that the Commission approve the proposed budget amount of NZ\$20,000 for Budget Category 7.2 – Rebuilding the Contingency Fund for the Financial Year 2021-2022 (as per FAC8-Doc06).*

Noting as per Figure 1 (below) this will mean that the Contingency Fund will be rebuilt to 27% of its recommended level by 1 July 2022.

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



3. The Year-to-date Developments of the Contingency Fund

Table 1: The Table below shows the movements in the Contingency Fund up to 30th November 2020:

Financial Year	Meeting	Amount Allocated NZ\$	Balance NZ\$	% (Fund Balance/Three Months of Approved Budget)
2017-2018	5 th Commission Meeting	25 000	25 000	9%
2018-2019	6 th Commission Meeting	24 327	49 327	18%
2019-2020	7 th Commission Meeting	20 000	69 327	24%
2020-2021	8 th Commission Meeting	20 000	89 996 ²	26%

3. Future 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 status of the Contingency Fund as of 1 July 2022 (Figure 1) assumes that the Budget for Financial Year 2021-2022 ([FAC8-Doc06](#)) is fully adopted, and the Commission will allocate NZ\$20,000 into the Contingency Fund.

As shown in Figure 1 the predicted shortfall of the Contingency Fund as of 1 July 2022 will be NZ\$296,500³. Comparison of Figure 1 with Table 1 shows that the rate of rebuilding the Contingency Fund is slowing; hence the 2022-23 allocation in the forecast budget has been increased to NZ\$30 000 (refer FAC8-Doc06).

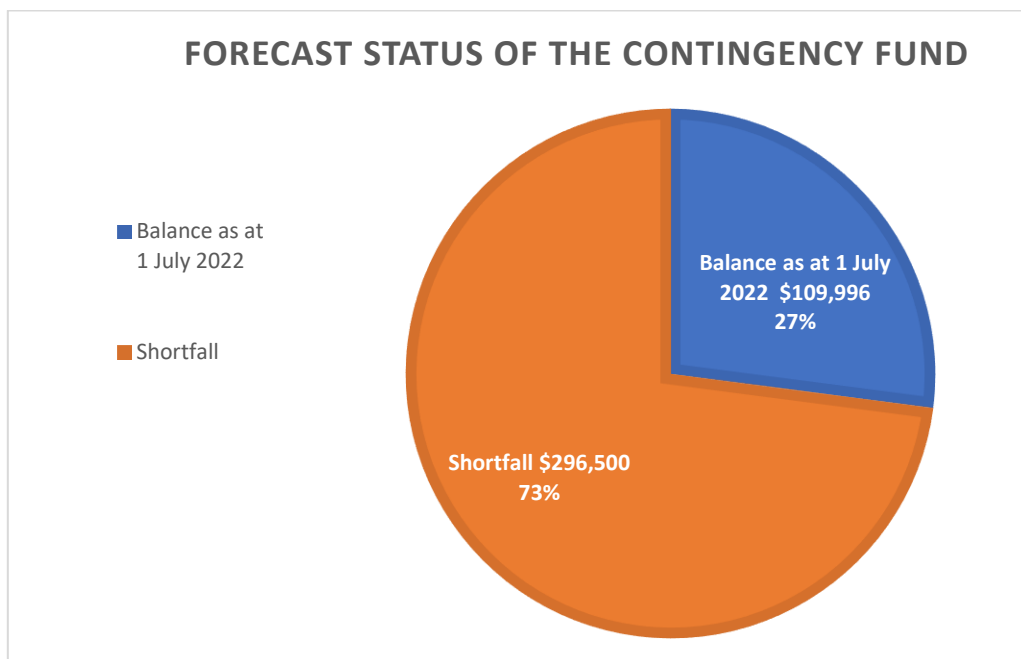


Figure 1. Forecast Status of the Contingency Fund

² This figure includes interest of NZ\$669

³ Three months operational cost for 2021-2022 ≈ NZ\$406,500.