
7TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Port Vila, Vanuatu, 14 to 18 February 2020

FAC 7 – Doc 04.2 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 (Paragraph 5) with the intent *“to accumulate it over time to reach and maintain a level equivalent to three months of the approved budget”*. It was also determined (Paragraph 6) that *“the Commission shall review the amount available in the Contingency Fund annually.”*

1.1. Purpose of the Contingency Fund (FR, Annex 2, Para 1)

“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.”*

1.2. Developments on the Contingency Fund

At the 5th Commission Meeting in Adelaide, Australia January 2017, the Commission allocated for the first time, NZ\$ 25,000 to the Contingency Fund. In accordance with the Commission’s decision, the Secretariat established a separate account for this purpose in 2017.

At the following Commission Meeting in Lima, Peru January 2018, the Commission allocated NZ\$ 24,327 to the Contingency Fund after reviewing the status of the Accumulated Surplus Account².

The 2018 Performance Review Panel assessed the Financial Position of the Organisation recommending to building up the Contingency Fund as per Paragraph 386 (e) of the Report of the SPRFMO Performance Review Panel, page 90: *“Recommends that the Commission include in the budget a provision for increasing progressively over a five year period the level of the contingency fund, and to reimburse any expenditures from the Fund for any Article 17 review process, until it reaches a level of 3 months of the operating budget as provided in the SPRFMO Financial Regulations”*.

At the 7th Commission Meeting in The Hague, The Netherlands January 2019, the Commission considered the Recommendation of the Performance Review Panel and reviewed the Contingency Fund status. The Commission approved to include NZ\$ 20,000 in the general budget to build up this Fund (COMM 7 Report, Annex 6c).

¹ <http://www.sprfmo.int/assets/Basic-Documents/Financial-Regulations-March-2018.pdf>

² *“The Commission shall attempt to maintain the Accumulated Surplus Account at a level sufficient to finance operations during the first three months of the financial year” - Financial Regulation 4.5*



2. Current Status of the Contingency Fund

The table below shows the current status of the Contingency Fund as at 30th November 2019:

Financial Year	Meeting	Amount Allocated NZ\$	Balance NZ\$
2016-2017	5 th Commission Meeting	25 000	25 000
2017-2018	6 th Commission Meeting	24 327	49 327
2018-2019	7 th Commission Meeting	20 000	69 327
Plus: Interest earned		615	69 942
Contingency Fund Balance as at 30th November 2019			69 942

As shown in Figure 1 below, and considering FR, Annex 2, Para 5, the current balance of the Contingency Fund is NZ\$ 200,058 below the level set by the Commission (three months operational cost ≈ NZ\$ 270,000).

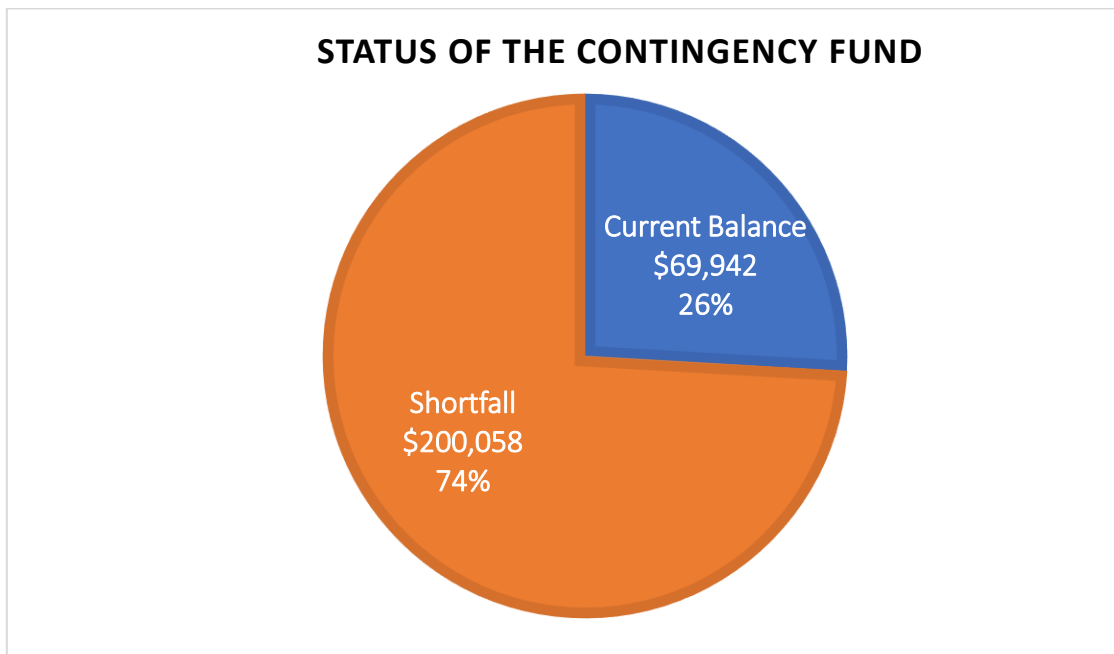


Figure 1. Status of the Contingency Fund

3. Recommendation

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.

Based on this budget principle, the FAC is invited to consider recommending the Commission approving the proposed budget amount of NZ\$ 20,000 for Budget Category 7,2 – Rebuilding the Contingency Fund for the Financial Year 2020-2021 as per FAC7-Doc08.