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## 9<sup>TH</sup> MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

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

### FAC 9 – Doc 08 rev1

## Operation of the Scientific Support<sup>1</sup> Fund & Developing States (DS) Fund

*Secretariat*

### 1. Background

In January 2021, the FAC reviewed the status of the Scientific Support Fund and Developing States Fund and *“noted that due to the global pandemic, several large budget items requiring in-person meetings were deferred or replaced by virtual method from the 2020-21 Financial Year, which resulted in the unusually large balance available in both the Scientific Support Fund and Developing States Fund”*.

During the same meeting, *“the FAC Chairperson noted that many Members had queried whether the carryover restrictions and caps on the Developing State and Scientific Support Fund should be reviewed. A number of Members expressed that they were in favour of reviewing the caps, particularly in relation to the Developing States Fund. However, the Chairperson noted there did not seem to be a strong appetite to amend the Financial Regulations at this meeting given the constraints of the virtual format”*. As a result, *“the FAC requested that the Secretariat prepare a paper for [this] year’s meeting based on their experience managing these funds”*.

In October 2021, during SC9 **the Scientific Committee recommended** *“that the Commission consider removing the cap in the financial regulations noting that the current cap reduced flexibility to undertake multi-annual activities or adapt the timing of activities. The SC acknowledged that the cap was originally introduced to avoid developing significant surplus of unused scientific funds, however the SC considered this risk could be managed through the budget process”*.

In responding to the FAC8 request and the SC9 recommendation, the Secretariat is providing this paper based on its experience in managing these funds.

### 2. Operation of the Developing States (DS) Fund

#### 2.1 History

In accordance with Convention Article 19, paragraph 5, the “Developing States Fund” has been a budgeted item since Financial Year 2013-14. The fund has only ever been used to support the participation of Developing States Members in the Commission’s annual meetings and/or the Scientific Committee’s meetings/workshops.

During the FAC3 Meeting in Valdivia-Chile, January 2016, *“following a recommendation by the Scientific Committee in 2015, the Secretariat proposed that unspent appropriations under the budget item for scientific support be routinely rolled over to the following financial year until reaching a limit defined by the Commission. The Secretariat also recommended the FAC consider the same approach for the budget item ‘Developing States’.* The FAC agreed to recommend that the Commission adopt the proposed amendments to the Financial Regulations, with a cap of NZ\$50,000 for the Scientific Committee fund, and NZ\$30,000 for the Developing States fund. The FAC noted that *anticipated needs of the Scientific Committee should, as a general rule, be identified and quantified and be considered as part of the annual budgeting process”* (these are the current caps for these funds as per Financial Regulation 2.4).

In accordance with Financial Regulation 2.4, the Secretariat established a separate account for the DS Fund (the

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<sup>1</sup> Note that the Financial Regulation 2.4 appears to define an acronym for Scientific Support (SC). This acronym appears easily be confused with the commonly used acronym for the Scientific Committee and so this paper has generally avoided using that acronym.



same for the Scientific Support fund) and the Funds have received appropriations from the Commission's annual budget and been open to voluntary contributions.

During Financial Year 2018-19, the total level of the support requested exceeded the amount available in the DS Fund by almost NZ\$ 20,000 and as a result at the 7<sup>th</sup> Commission meeting in January 2019, the Secretariat put forward a proposal to create guidelines for the administration of the Developing States Fund - Travel Support Policy, and the amended 2019 Financial Regulations were adopted ([2019 Financial Regulations](#)).

During the 2019 discussions the Commission noted the need to address accessibility for capacity building in the administration of the Developing States Fund. A working group was suggested, and the USA volunteered to lead intersessional work in this area. However, interest in joining the working group was low and the working group was suspended as per letter G51-2019.

At the COMM9 Meeting in January 2021, the Commission adopted the FAC8 recommendation that notwithstanding Financial Regulation 2.4, "the Commission exceptionally carry forward NZ\$36,632 into the 2021-22 Financial Year".

*Table 1: Budget Appropriations to the Developing States Fund vs. Actual Expenses*

Financial Year	Budget NZ\$	Meeting/Workshop	Member Supported	Actual Expense NZ\$	Remaining NZ\$
2013-14	10 000	The 2 <sup>nd</sup> Commission Meeting	Cook Islands	4 190	-
			Vanuatu	7 016	
		<b>Subtotal expense for FY 2013-14</b>			
2014-15	15 000	The 3 <sup>rd</sup> Commission Meeting	Cook Islands	1 100	-
			Vanuatu	2 522	
		<b>Subtotal expense for FY 2014-15</b>			
2015-16	18 000	The 4 <sup>th</sup> Commission Meeting	Cook Islands	6 130	9 697 <sup>2</sup>
			Cuba	2 173	
		<b>Subtotal expense for FY 2015-16</b>			
2016-17	20 000	The 5 <sup>th</sup> Commission Meeting	Cuba	1 555	18 420
			Peru	6 000	
			Vanuatu	3 722	
<b>Subtotal expense for FY 2016-17</b>			<b>11 277</b>		
2017-18	15 000	The 6 <sup>th</sup> Commission Meeting	Cuba	1 430	18 415
			Vanuatu	10 458	
		The 6 <sup>th</sup> SC Workshop	Ecuador	3 117	
<b>Subtotal expense for FY 2017-18</b>			<b>15 005</b>		
2018-19	20 000	The 6 <sup>th</sup> SC Meeting	Cook Islands	7 040	112
			Ecuador	3 540	
			Peru	7 510	
		The 7 <sup>th</sup> Commission Meeting	Cook Islands	5 196	
			Cuba	4 730	
			Ecuador	4 957	
			Peru	5 330	
<b>Subtotal expense for FY 2018-19</b>			<b>38 303</b>		
2019-20	30 000	The 7 <sup>th</sup> SC Meeting	Cook Islands	7 925	10 667
			Ecuador	2 435	
		The 8 <sup>th</sup> Commission Meeting	Cuba	5 050	
			Peru	4 035	
<b>Subtotal expense for FY 2019-20</b>			<b>19 445</b>		
2020-21	55 965 <sup>3</sup>	<b>Subtotal expense for FY 2020-21</b>			<b>0</b>
2021-22 <sup>4</sup>	35 000	<b>Subtotal year-to-date expense for FY 2021-22</b>			<b>0</b>
				<b>66 632</b>	<b>101 632</b>

<sup>2</sup> Amendment to Financial Regulation 2.4 came into effect in January 2016. Prior to this there was no separate fund established.

<sup>3</sup> USA Voluntary contribution to the Developing States Fund, as per Adopted Budget for Financial Year 2020-2021 (COMM8-Report Annex 6d)

<sup>4</sup> Please note for the forecast status of FY2021-22, the estimated balance for the year is prepared based on the assumption that the DS Fund cap of NZ\$30K in Financial Regulations 2.4 will be removed.



Prior to the COVID 19 pandemic, the Developing States Fund experienced 3 Financial Years in which the actual expenses exceeded the budgeted amount (FYs 2013-14, 2017-18 and 2018-19). It is important to note that these expenditures occurred prior to the adoption of the 2019 Financial Regulations, which not only provides procedures for administering the funds (refer to Annex 1), but also maximums for supporting participation in the meetings of the Organisation. Annex 1 Paragraph 5 of 2019 Financial Regulations states that:

*“Maximum 60% of the annual budget amount of the DS Fund shall be allocated for participation in the Annual Meeting of the Commission and maximum 40% shall be allocated for participation in the meeting or workshops of the Scientific Committee”.*

The above maximums mean that each year when Members consider the budget (and specifically Budget Item 9. Developing States) by default, they are also setting a limit that is available for supporting DS participation in the meetings of the Organisation for that respective year. This gives the Commission annual oversight on the level of support it decides is appropriate to assist the participation of Developing States in meetings.

## 2.2 Voluntary contributions – Special Requirements Fund

In accordance with Convention Article 19, the Secretariat created the “Special Requirements Fund” in Financial Year 2012-13 and several voluntary contributions have been received from Members specifically for this Fund.

The 2019 Financial Regulations, Regulation 5, set out the guidelines for administering this Fund and clarified that the Fund could be resourced either by budget appropriations or voluntary contributions. To date the historic “Special Requirements Fund” and the “Developing States Fund” have been managed separately due to the complexities created by attempting to impose a cap on Member voluntary contributions.

*Table 2: Voluntary Contributions – Special Requirements Fund*

Member	Voluntary Contribution (NZ\$)	Date
Chile	1 883	6 December 2013
China	24 106	16 September 2014
China	27 474	2 June 2015
China	27 368	14 September 2017
<b>Total</b>	<b>80 831</b>	As of 30 November, 2021

## 2.3 FAC considerations for the Developing States Fund

So far, this paper has mostly considered a single type of assistance provided by DS fund (1c). It is important to recognize the whole and entire purpose of the Fund (as per Annex 1 of the Financial Regulations):

*1. The purpose of the DS Fund is to facilitate the effective participation of developing State Contracting Parties of the region, in particular the least developed among them, and small island developing States, and as appropriate, territories and possessions in the work of the Commission and its subsidiary bodies, including assistance directed towards:*

- a) improved conservation and management of the fishery resources and the development of fisheries for such resources; and*
- b) building capacity in key areas such as monitoring, control and surveillance, compliance and enforcement, data collection, verification and analysis, stock assessment and scientific research.*
- c) Participation in the meeting of the Commission and the Compliance and Technical Committee meetings and workshops of the Scientific Committee*

The Secretariat has not received any application for assistance under 1a) or 1b) above so far.



The Secretariat invites the FAC to consider the following actions to give full effect to the 2019 Financial Regulations and avoid the need for regular exceptional decisions related to the Developing States Fund:

- Effective this year transfer the balance of the “Special Requirements Fund” (NZ\$80,831) into the Developing States Fund (which has its own sub account within the SPRFMO bank).
- Discontinue the “Special Requirements Fund” recognising that the Fund foreseen under Article 19, Paragraph 5 of the Convention has been established and is described under Paragraph 5 of the Financial Regulations (and as per Annex 1 is named the Developing States Fund “the DS fund”).
- Operate the DS fund as a trust fund (as per other RFMOs that operate similar funds); this fundamentally recognises that these funds are to be used only for specific purposes (i.e., those described in Paragraph 1 of Annex 1 to the Financial Regulations).
- To enhance the effective and utilization of the DS Fund according to its purpose, remove the cap limiting unspent appropriations as set by Financial Regulation 2.4 noting that the 4-year review clause remains relevant.
- Under these new arrangements the cap can be removed with the understanding that:
  - The level of monies available for participation in the meetings of the Organisation remains subject to annual oversight by the Commission when setting its budget;
  - Any unspent budget appropriations are to be retained in the DS Fund so that they are then available for requests for assistance as per Annex 1, Para 1a) (i.e., technical assistance) and paragraph 1b) (i.e., capacity building); and,
  - The DS Fund is still able to be resourced by voluntary contributions and or indeed separate decisions of the Commission.

The above actions will mean that the DS Fund begins the 2021-22 FY with a balance of NZ\$ 147,463 that is immediately available for DS requests for technical assistance and capacity-building<sup>5</sup> and (assuming the proposed budget is retained) an additional NZ\$ 35,000 ~~is will be~~ available for assistance with travel to meetings<sup>6</sup> as well as requests for technical assistance and capacity-building.

These actions require very slight amendment to current rules/regulations (beyond removal of the cap) and support the vision as per the Convention<sup>7</sup>. Operating the Developing States Fund as a “Trust fund” will result in a minor change to the Statement of Financial Position (i.e., addition of a new accounting treatment for “Funds held on behalf”). These actions will also ensure that the DS fund will be able to maintain its size and/or grow subject to requests for assistance, voluntary contributions, and the annual level of support provided by Members/CNCPs of the Commission.

### 3. Operations of the Scientific Support Fund

#### 3.1 Background

The “Scientific Support Fund” has also been a budgeted item since Financial Year 2013-14 and, in accordance with Financial Regulation 2.4, it has been operated with a cap of NZ\$ 50,000.

The Scientific Support Fund has received an annual budget allocation from the Commission and has also been open to voluntary contributions. The Scientific Support Fund has been used to achieve the Scientific Committee’s multi-annual workplan, which since 2020, has been explicitly including estimates of funding required to achieve

<sup>5</sup> as per Annex 1, Paragraphs 6 – 9 of the Financial Regulations

<sup>6</sup> as per Annex 1, Paragraphs 10 – 15 of the Financial Regulations

<sup>7</sup> Article 19, Paragraph 5



the agreed objectives.

Last year the Commission made an exceptional decision allowing for an amount of NZ\$34,715 to be carried forward the 2021-22 Financial Year, and allocated NZ\$57,060 to the Scientific Support Fund. Due to the persistent pandemic environment in the year of 2021, the Scientific Committee again struggled to progress items in the workplan provided by the Commission. As such, at SC9 (held remotely, October 2021), the Scientific Committee requested that the Commission agree to carry funds over to the next financial year above the level of the cap specified in the Financial Regulations. The Scientific Committee also recommended that the Commission consider removing the cap in the financial regulations noting that the current cap reduced flexibility to undertake multi-annual activities or adapt the timing of activities. The discussions on how to deal with getting expenditures to fall within the cap added burden to the already heavily tasked Scientific Committee.

*Table 3: Budget Appropriations to the Scientific Support Fund vs. the actual expenses (NZ\$)*

Financial Year	Budget Appropriations	Actual Expenses	Remaining NZ\$	
2013-14	20 000	Scientific Expert travel fees to Meeting SC1	1 694	-
2014-15	20 600	GITHUB	264	-
2015-16	20 000	GITHUB	424	19 576 <sup>8</sup>
2016-17	20 000	GITHUB	432	39 144
2017-18	12 000	GITHUB	431	
		FAO ABNJ workshop	1 517	
		Invited experts to 5 <sup>th</sup> SC 2017	3 835	
		Invited experts to JM workshop 2018	15 899	
<b>Subtotal expense for FY 2017-18</b>			<b>21 682</b>	<b>29 462</b>
2018-19	20 000	GITHUB	460	
		Invited experts & participation, 6 <sup>th</sup> SC 2018	27 464	
		Squid - related research	5 000	
		Deep sea research	679	
<b>Subtotal expense for FY 2018/19</b>			<b>33 603</b>	<b>15 859</b>
2019-20	20 000	GITHUB	430	
		Invited experts & participation, 7 <sup>th</sup> SC 2019	20 254	
<b>Subtotal expense for FY 2019/20</b>			<b>20 684</b>	<b>15 175</b>
2020-21	80 000	Expert for JM assessment data, 8 <sup>th</sup> SC 2020	7 000	
		GITHUB	444	
<b>Subtotal expense for FY 2020/21</b>			<b>7 444</b>	<b>87 731</b>
<b>Amount available to be carried forward<sup>9</sup></b>				<b>84 715</b>
2021-22 <sup>10</sup>	57 060	<b>Available funds (as at 1<sup>st</sup> of July 2021)</b>		<b>141 775</b>
		Stock Assessment Experts 9 <sup>th</sup> SC 2021	10 000	
<b>Subtotal Year-to-date for FY 2021/22</b>			<b>10 000</b>	<b>131 775</b>

<sup>8</sup> Amendment to Financial Regulation 2.4 came into effect in January 2016. Prior to this there was no separate fund established.

<sup>9</sup> As per FR 2.4 (which caps the Scientific Support fund at NZ\$50k), and the FAC8 recommendation to exceptionally carry forward NZ\$34,715 if the COVID-19 pandemic continues to limit activities.

<sup>10</sup> Please note for the forecast status of FY2021-22, the estimated balance for the year is prepared based on the assumption that the Scientific Support Fund cap of NZ\$50k in Financial Regulations 2.4 will be removed.



### 3.2 Other voluntary contributions to Scientific Committee activities

Voluntary contributions have been received from European Union, China, and Australia for supporting Scientific committee activities. The Table 4 below shows the year-to-date status for voluntary contributions supporting Scientific committee activities:

*Table 4: Voluntary contributions to Scientific Committee activities*

Period	Member	Contribution	Related SC Activities	Proposed/ Committed Expenses	Balance NZ\$
Jan 2019 to Dec 2020	EU	167 000	Support to jack mackerel assessment and data validation in SPRFMO (project led by WUR)	167 000	0
Jul 2019	China	29 230	To support squid sampling and genetic research in the SPRFMO Convention Area (Chile, China, and Peru).	19 400	9 830
Aug 2020+	China	26 912	To support the stock structure and genetic studies regarding the jumbo flying squid	36 000	742
Dec 2021 to Dec 2022	EU	91 850	MSE workshop Benchmark workshop	50 100 41 750	0 0
2023+	Australia	58 034 <sup>11</sup>	The 2022 Scientific Committee Multi-Annual Workplan ( <a href="#">SC9-Doc05 rev1</a> ): Develop a research programme within the SPRFMO Convention Area to allow the determination of taxon-specific estimates of catchability for VME indicator taxa.	58 034	0

Table 3 & 4 show that in line with the Scientific committee's multi-annual workplans, the Commission has been allocating sufficient budgets to the Scientific Support Fund since it was established; in addition, the Scientific Support Fund has also been supported by the Members' voluntary contributions;

The COVID 19 pandemic has certainly impacted the activities of the Scientific Committee. However, analysis of recent multi-annual workplans show a move towards large multi-annual projects (e.g., Jack mackerel connectivity research and ageing techniques as well as a deep-water research programmes) that will require a flexible system of resourcing that considers the likely timeframes for completion of such projects.

### 3.3 FAC Considerations for the Scientific Support Fund

It is important to recall that the activities of the Scientific Committee are reviewed each year, not only by the Scientific Committee, but also by the Commission by way of discussion of the Scientific Committee's multi-annual workplan. Status of the Scientific Support Fund is also presented by Secretariat annually during the FAC meeting by way of a standing paper (FAC9-Doc05.3).

Considering this amount of oversight there is likely no longer any need for an annual cap on the Scientific Support Fund.

Operating the Scientific Support Fund as a "trust fund" similar to that proposed for the DS fund seems appropriate given the clear and identified use for the various fundings within the Scientific Committee multi-annual plan.

<sup>11</sup> The Workplan "Deep water stock structure" (was to receive \$23.6k in Scientific support funding) was removed from Financial Year 2021-22. The Scientific Committee recommended that this amount as well as the voluntary contribution from Australia be used to commence a research programme within the SPRFMO Convention Area to allow the determination of taxon-specific estimates of catchability for VME indicator taxa.