

FINANCE AND ADMINISTRATION

3.1 The Chair of SCAF, Mrs C.-P. Martí (Spain), presented the report of the Committee (Annex 4), outlined the results of its discussions and noted the recommendations for decision by the Commission.

Examination of Audited Financial Statements for 2000 and 2001

3.2 Noting that a review audit had been carried out on the 2000 Financial Statements and that an unqualified report had been provided by the auditor, the Commission accepted the audited Financial Statements for 2000.

3.3 The Commission agreed that, as the new Executive Secretary would be taking up his position in February 2002, a full audit would be required for the 2001 Financial Statements.

Member Contributions

3.4 The Commission noted the advice of SCAF that two Member contributions were currently still outstanding and that one Member was in default under Article XIX.6 of the Convention.

3.5 In view of the fact that nine Members had not paid their contributions in 2001 by the date payable, the Commission urged Members to respect the deadlines set out in Financial Regulation 5.6. It noted that SCAF had received suggestions as to how those Members who cannot currently pay on time could achieve this in the future. These suggestions included the possibility of paying twice in one budget year. The Commission also noted that a proposal of applying interest to overdue contributions had been discussed by SCAF but that, after much debate, no agreement had been reached as to mandatory application.

Review of Budget for 2001

3.6 The Commission noted the significant increase in Professional Staff salary costs resulting from large exchange rate fluctuations. Although compensatory savings in other expenditure had been made, it was nevertheless necessary to record Namibia's New Member Contribution in the current year.

3.7 In view of this unexpected increase in budget expenditure, the Commission endorsed the recording of Namibia's New Member contribution as income in 2001. It was therefore necessary to revise the Commission's 2001 budget as originally presented. The revised 2001 budget as presented in Annex 4, Appendix II, was then adopted.

3.8 The Commission also noted the concern expressed with the budgetary uncertainty caused by the fact that the salary costs of the four members of Professional Staff, which equated to 36% of the Commission's total budget, were subject to variations caused by fluctuations in the US\$/A\$ exchange rates, and the intricacies of the UN pay system, which would not necessarily reflect the cost-of-living changes in Australia. Although the UN is itself reviewing its pay system, it was agreed that an independent review would be carried out and reported to the next meeting. The report would include the results of the UN review of its salary system, to the extent that these results were relevant to CCAMLR.

3.9 The Commission noted the suggestion of the SCAF Chair that funding for this review could come from the budget transfer allocated to the Contingency Fund. The UK suggested that Members themselves would have adequate experts for carrying out this review without having to pay for a consultant, including Australia as the depositary.

3.10 The Commission agreed on directions for the review, including goals, specific tasks and required outcomes. These are presented in Annex 6.

Budget for 2002

3.11 The Commission noted the advice of SCAF that the Secretariat will investigate education grant policies in other intergovernmental organisations of similar size and report to next year's meeting for further consideration by SCAF.

3.12 The recommendation of SCAF that all Commission circulars be placed on the CCAMLR website only and that their appearance there be notified to Members by email was endorsed.

3.13 The Commission noted that some delegates were experiencing administrative difficulty in receiving passwords to access appropriate pages of the CCAMLR website. It therefore adopted the recommendation of SCAF that passwords be issued to heads of delegations to the 2001 Commission meeting.

3.14 The Commission accepted for inclusion in the 2002 budget, the budget of the Scientific Committee, and the specific items of expenditure which the Scientific Committee had requested be included in the Commission's own budget.

3.15 The Commission adopted the budget for 2002 as presented in Annex 4, Appendix II.

Contribution Formula for 2002

3.16 The Commission accepted the advice of SCAF that the contribution formula be revised to reflect a total contribution from harvesting activities of at least 3% of the total

contributions, that the fishing contribution from any fishing Member should be at least A\$1 000 and that the weighting applying to *Dissostichus eleginoides* should also apply to *Dissostichus mawsoni*.

3.17 In presenting the revised formula (Annex 4, paragraph 16), the SCAF Chair noted that arriving at agreement in SCAF had been the result of goodwill from all Members. Fishing Members, particularly those with the largest and smallest catches, had agreed to increases and, for 2002, the non-fishing Members had agreed that, in real terms, their contributions would not be reduced.

3.18 The UK proposed two minor changes, for clarification purposes only, to paragraphs I(v) and III, and with these changes the Commission adopted the new formula to be used for the 2002, 2003 and 2004 contributions as follows:

- I. (i) Those countries engaged in harvesting in the Convention Area will, in respect of the amount harvested, contribute at the rate of 13% of total Members' contributions per 100 000 contribution units, a unit being defined as:
 - 1 tonne of *Dissostichus* spp.;
 - 10 tonnes of krill and/or myctophids; or
 - 5 tonnes of any other harvested resource.
- (ii) The amount of all marine living resources harvested is included in the calculation, including catches in new and exploratory fisheries, but excluding:
 - catches which, in accordance with conservation measures in force, are under exploratory harvesting regimes; and
 - any catches which the Commission may, from time to time, require to be exempted.
- (iii) Catches by Members under the research provisions of Conservation Measure 64/XIX will not be taken into account for the purpose of calculating their contributions to the budget.
- (iv) The amount harvested shall be calculated as the average catch over a three-year reporting period, ending at least 12 months prior to the Commission meeting at which the budget in question is approved.
- (v) The percentage of total contributions to be paid in respect of the amount harvested shall not exceed 50%.
- (vi) Any Member with catches included in the above-stated three-year period shall pay at least A\$1 000 in respect of such catches.

- II. The balance of total contributions will be equally shared amongst all Members of the Commission.
- III. The percentage of total contributions to be met by any individual harvesting country shall not exceed 25%.

3.19 While thanking the Chair of SCAF for presenting this revised formula, Japan expressed regrets about time constraints of the SCAF meeting during this annual meeting, which prevented SCAF from fully discussing issues of budget and contributions. Japan noted that the revision of formula for calculation of contribution adopted in 1996 had been introduced at this meeting, and therewith Japan was subject to the largest contribution increase, level-wise and percentage-wise. Japan further stated its position that although it did not necessarily oppose such largest increase itself where the formula is appropriate, it had difficulties with the process taken. Japan, while emphasising that elements such as equity, transparency and predictability are critical for the budget process for preparation of contributions, regretted that the draft revised scheme, which included the formula and amount of the contribution to be paid by Japan, had not been available to Japan until the first day of the SCAF meeting and which caused serious difficulties to Japan, where the domestic budget process for the next fiscal year, including preparation of its contribution to CCAMLR for 2002, had commenced with the old estimate (over 10% less than the revised amount) and the room for increase was small at this stage. Japan further stated its basic position that the revision of the contribution formula should be considered for 2003 and thereafter so that the Members were able to fully examine this issue and to commence related domestic budget processes with at least transparency and predictability.

3.20 Having said so, Japan mentioned that it did not oppose the adoption of the budget and contribution allocation for 2002, although there was no guarantee that Japan would be able to pay the revised contribution amount for 2002. However, Japan expressed its intention to make its utmost effort to fulfil the revised level of contribution with the recognition of financial difficulties the Commission faced, on the premise that future work will ensure the three critical elements mentioned above, and the same arrangement for the due date for payment as the previous year, will be applied.

Establishment of a Contingency Fund

3.21 The Commission accepted the recommendation of SCAF that a Contingency Fund in accordance with Financial Regulation 6.2 be established and that this fund be financed through transfers from the General Fund over a period of three years. It also noted that any interest earned on the fund be retained in the fund in accordance with Financial Regulation 8.3.

3.22 The SCAF Chair noted that, in establishing the Contingency Fund, the Commission should finance it only by transfers from the General Fund, rather than by separate contributions from Members, and that use of the Fund would be strictly controlled by the Commission. As the terms of use will not be determined until the next

meeting, an intersessional decision by the Commission will be required for any expenditure from the Fund before then.

3.23 The Commission noted that by not reducing individual non-fishing contributions below zero real growth, it was possible to make available up to A\$62 090 from the General Fund to the Contingency Fund in 2002 as presented in the budget presented in Annex 4, Appendix II to this report. The Commission adopted the recommendation to transfer this amount to the Contingency Fund.

3.24 The SCAF Chair advised the Commission that SCAF had considered a number of suggestions for financing, including the introduction of fees on proposals for new and exploratory fisheries, the establishment of the principle of user pays and the charging of fees to non-Contracting Parties, of which there are only four at present participating in the CDS, but there could soon be more. There were many issues concerning these suggestions and SCAF had not had time to give them the full consideration required. Consequently, SCAF had deferred these options for further consideration at next year's meeting. To assist the Committee's work next year, the Commission asked the Secretariat to prepare a summary of new and exploratory fishery proposals received over recent years, including an analysis of those carried out. It also requested an information report from the USA based on the details of its user-pays system with regard to the CDS as had been presented to SCAF.

3.25 The Commission noted the concerns of SCAF about insufficient time being available for the work of the Committee.

Forecast Budget for 2003

3.26 The Commission noted the forecast budget for 2003, as presented in Appendix II to the SCAF Report.

CDS Fund

3.27 The Commission noted with appreciation the contribution of A\$284 800 that had been made by the UK to the CDS Fund, and recalled that the terms of reference for the use of the CDS Fund, as set out in Annex 170/B of Conservation Measure 170/XX, required proposals for expenditure from the fund to be first considered by a review panel of six Members to be designated by the Commission. The Commission charged the incoming Chair of SCAF with assembling a suitable group of six Members to participate on this panel.

3.28 The SCAF Chair emphasised to the Commission that the CDS Fund, as with other special funds, was self-contained, could not be used to offset any General Fund budget deficiencies, and interest earned by it would be retained in the fund.

US Special Fund

3.29 The Commission was also pleased to acknowledge receipt of A\$101 950 from the USA, to be used to improve effective monitoring of fishing activities in the Southern Ocean, including the funding of additional observers and inspectors in the area. It noted that tentative suggestions had already been made for possible uses of this new fund, specifically with respect to work on the CDS.

Chair and Vice-Chair of SCAF

3.30 The Commission noted that Mr P. Panayi (Australia) had been elected Chair of SCAF for the next two years, and Dr W. Klapper (Germany) Vice-Chair, from the end of the 2001 meeting until the end of the 2003 meeting.

3.31 The Commission congratulated Mrs Martí for the achievements of SCAF during her term of office which were, to a large extent, due to her passion and dedication to the work.