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(Organizational Structure, Budget and Financial Contributions)

PROPOSED FINANCIAL REGULATIONS FOR WCPFC

Prepared by the Republic of Korea

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Regulation 1 - Applicability
These regulations shall govern the financial administration of the WCPFC established under the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (hereinafter referred to as "the Convention").

Regulation 2 - Financial Year
2.1 The financial year shall be for 12 months, commencing 1 January and ending 31 December, both dates inclusive.

Regulation 3 - The Budget
3.1 A draft budget comprising estimates of receipts by the Commission and of expenditures by the Commission and any subsidiary body of the Commission established pursuant to article 11 of the Convention shall be prepared by the Executive Director for the ensuing year.

3.2 The draft budget shall include a statement of the significant financial implications for subsequent financial years in respect of any proposed work programmes presented in terms of administrative, recurrent and capital expenditure.

3.3 The draft budget shall be accompanied by details both of the appropriations made for the previous year and estimated expenditure against those appropriations, together with such information annexes as may be required by the Commission or deemed necessary or desirable by the Executive Director. The Commission shall prescribe the precise form in which the draft budget is to be presented.

3.4 The Executive Director shall submit the draft budget to all members of the Commission at least 60 days prior to the annual meeting of the Commission. At the same time, and in the same form as the draft budget, the Executive Director shall prepare and submit to all members of the Commission a forecast budget for the subsequent financial year.

3.5 The draft budget and the forecast budget shall be presented in United States dollars.

3.6 At each annual meeting, the Commission shall decide upon its annual budget and the budget of any subsidiary bodies.

3.7 There is hereby established a Standing Committee on Finance and Administration to provide advice and recommendations to the Commission on matters related to the finance and administration of the Commission. The Committee shall be composed of one representative from each of the four members which are located in the area north of the 20 degree parallel of north latitude and which are elected by the members situated in the area, and from each of the four members which are located in the area south of the 20 degree parallel of north latitude and which are elected by the member states situated in the area.

3.8 Before the Commission decides upon the annual budget, it shall hear the recommendations of the Standing Committee on Finance and Administration.

3.9 The Commission, the Scientific Committee, and the Technical and Compliance Committee shall report to the Standing Committee on Finance and Administration on anticipated cost for the conduct of their business.

3.10 The Standing Committee on Finance and Administration shall meet during each annual meeting to examine the budget estimates and submit its report to the Commission during the annual meeting. After consideration of the report, and after any adjustments or revisions have been made, the Commission shall adopt the budget.

3.11 Supplementary budget proposals shall be prepared in a form consistent with the approved budget. The provisions of these Regulations shall be applicable to the proposed supplementary budget to the extent possible.

Regulation 4 - Appropriations

4.1 The appropriations adopted by the Commission shall constitute an authorization for the Executive Director to incur obligations and make payments for the purposes for which the appropriations were adopted and up to the amounts so voted.

4.2 Unless the Commission decides otherwise, the Executive Director may also incur obligations against future financial years before appropriations are adopted when such obligations are necessary for the continued effective functioning of the Commission, provided such obligations are restricted to administrative requirements of a continuing nature not exceeding the scale of such requirements as authorized in the budget of the current financial year. In other circumstances the Executive Director may incur obligations against future financial years only as authorized by the Standing Committee on Finance and Administration.

4.3 Appropriations shall remain available for three months following the end of the financial year to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year and to liquidate any other outstanding legal obligation of the financial year.

4.4 At the end of the three-month period provided in regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations of the financial year in question shall, at that time, be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

4.5 The Standing Committee on Finance and Administration may authorize the Executive Director to make transfers of up to 10 per cent of appropriations between items. The Executive Director may authorize the transfer of up to 10 per cent of appropriations between sub-items of an item. The total amounts transferred in any one financial year shall not exceed 1% of the total adopted budget. All such transfers must be reported by the Executive Director to the next annual meeting of the Commission and the Auditors with the annual financial statement.

4.6 In cases where special necessity arises, transfers from one chapter of the budget to another may be effected by the Executive Director after having obtained the approval of the Commission and shall be reported to the auditors with the annual financial statement.

4.7 The Executive Director is authorized to carry forward unobligated funds from one financial year to the next in the amount of 25% of the total budget to meet contingencies.

Regulation 5 - Provision of Funds

5.1 On approval of the budget for a financial year, the Executive Director shall send a copy thereof to all members of the Commission informing them of their contributions and requesting them to remit their contributions due.

5.2 Each member of the Commission shall contribute to the portion of the budget to be financed by assessed contributions, in accordance with article 18, paragraph 2 of the Convention and the present Regulations.

5.3 Each member's contributions to the annual budget shall be calculated, in accordance with Regulation 5.2, on the following bases:

(a) 20% of the budget to be financed by assessed contributions shall be divided equally among all members;

(b) 40% of the budget to be financed by assessed contributions shall be divided in proportion to each member's national wealth; and

(c) 40% of the budget to be financed by assessed contributions shall be divided in proportion to each member's total catch in the Convention Area as defined in article 3.1 of the Convention.

5.4 The national wealth in 5.3 (b) is defined as each member's subscription to the capital stock of the International Bank for Reconstruction and Development (IBRD) as published in the World Bank Annual Report for the year ending one year before the budget year.

5.5 The national wealth of those members whose subscription to the capital stock of the IBRD is shown less than 0.005 in the World Bank Annual Report is regarded as zero.

5.6 The total catch in 5.3 (c) is defined as the sum of each member's catch of all tunas and tuna-like species taken within the Exclusive Economic Zone and the catch of all tuna-related species taken in the area beyond the national jurisdiction in the Convention Area in the year ending two years before the beginning of the budget year. A discount factor of four-fifths shall be applied to the catch taken in the Exclusive Economic Zone of a member of the Commission, which is a developing State or territory, by vessels flying the flag of its member.

5.7 Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Executive Director, or as of the first day of the calendar year to which they relate, whichever is the later. As of the first day of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

5.8 (a) Interest shall be payable to the Executive Director on such unpaid contributions at 6 month LIBOR (London Inter-bank Offered Rate) at the end of each 6-month arrear.

(b) If a member has not paid the contributions due for the two consecutive years, it enjoys no right to vote in decision-making process.

5.9 Contributions shall be paid in US dollars unless otherwise determined by the Commission.

5.10 The Executive Director shall submit to each regular session of the Commission a report on the collection of contributions, advances, and interest.

5.11 (a) Except in the first financial year, a new member of the Commission whose membership becomes effective during the first six months of the financial year shall be liable to pay the full amount of the annual contribution which would have been payable had it been a member of the Commission when assessments were made under article 18, paragraph 2, of the Convention. A new member whose membership becomes effective during the last six months of the financial year, shall be liable to pay half of the amount of the annual contribution referred to above.

(b) In the first financial year all members whose membership becomes effective during the first nine months of the year shall be liable to pay the full amount of the annual contributions. A member whose membership becomes effective during the last three months of the first financial year shall be liable to pay half the amount of the first financial contribution.

(c) Where contributions are received from new members, after the Executive Director informed members of their contributions to the budget in accordance with Regulation, the contributions of existing members shall not be adjusted.

(d) The assessment of contributions for member States, which withdraw from the Commission, shall be based on the fraction of the financial year that the withdrawing state was a member of the Commission.

Regulation 6 – Funds

6.1 (a) There shall be established a General Fund for the purpose of accounting for the income and expenditure of the Commission and any subsidiary bodies established pursuant to the Convention;

(b) Contributions paid under Regulation 5.3, miscellaneous income, and any advances made from members shall be credited to the General Fund;

(c) Any cash surplus in the General Fund at the close of a financial year that is not required to meet undischarged commitments in terms of Regulations 4.3 and 4.4 may be carried over into the following financial year;

(d) The Commission, upon receiving a recommendation of the Standing Committee on the Finance and Administration, may transfer a portion of the cash surplus accrued at the close of a financial year to the Fund pursuant to Article 30, paragraph 3 of the Convention, and other trust or special funds established by the Commission.

(e) The Fund established pursuant to Article 30, paragraph 3 of the Convention shall finance expenses to provide for active participation of small developing States Parties, particularly small island developing states, and where appropriate , territories and possessions for meetings other than the regular annual meetings of the commission and those of its subsidiary bodies, assistance relating to human resources development, technical assistance, transfer of technology, and advisory and consultative services to attain the objectives of the Convention, upon receiving an application from the member States Parties, territories and possessions, and upon approval by the Executive Director in consultation with the Standing Committee on Finance and Administration.

(f) Advances made by members shall be carried over to the credit of the members which have made such advances.

6.2 Trust or special funds may be established by the Executive Director subject to the agreement of the Standing Committee on Finance and Administration, and shall be reported to the Commission.

6.3 The purpose and limits of each trust or special funds shall be clearly defined by the Commission. Unless otherwise provided by the Commission, such funds shall be administered in accordance with the present Regulations.

6.4 Income derived from investments of funds shall be credited to miscellaneous income.

Regulation 7 - Other Income

7.1 All income other than contributions to the budget under Regulation 5 and that referred to in Regulation 7.3 below, shall be classified as miscellaneous income and credited to the General Fund. The use of miscellaneous income shall be subject to the same financial controls as activities financed from regular budget appropriations.

7.2 Voluntary contributions above and beyond assessed contributions by members may be accepted by the Executive Director provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Commission. Voluntary contributions offered by non-members may be accepted, subject to agreement by the Standing Committee on Finance and Administration that the purposes of the contribution are consistent with the policies, aims and activities of the Commission. All voluntary contributions during the financial year should be reported to the Commission at the annual meeting.

7.3 Voluntary contributions accepted for purposes specified by the donor shall be treated as trust or special funds under Regulation 6.2.

7.4 Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts of the financial period.

Regulation 8 - Custody and Investment of Funds

8.1 The Executive Director shall designate the bank or banks in which the funds of the Commission shall be kept and shall report the identity of the bank or banks so designated to the Standing Committee on Finance and Administration and the Commission.

8.2 (a) The Executive Director may make short-term investments of moneys not needed for the immediate requirements of the Commission. Such investments shall be restricted to securities and other investments issued under Government guarantee (with current ratings, provided by a rating body approved by the Commission's auditor, indicating a strong capacity to pay.)

(b) With regard to moneys held in trust or special funds for which use is not required for at least 12 months, longer-term investments may be authorized by the Standing Committee on Finance and Administration, provided such action is consistent with the terms and conditions under which the moneys were lodged with the Commission. (Such investments shall be restricted to securities and other investments issued under Government guarantee with current ratings, provided by a rating body approved by the Commission's auditor, indicating a strong capacity to pay.)

(c) The details of investment transactions and income derived shall be reported in the documents supporting the budget.

Regulation 9 - Internal Control

9.1 The Executive Director shall:

(a) establish detailed financial rules and procedures after consultation with the Auditor to ensure effective financial administration and the exercise of economy in the use of funds;

(b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the goods or services have been received and that payment has not previously been made;

(c) designate the officers of the Secretariat who may receive moneys, incur obligations and make payments on behalf of the Commission;

(d) maintain and be responsible for internal financial control to ensure:

(i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Commission;
(ii) the conformity of obligations and expenditures with the appropriations adopted by the Commission, or with the purposes and rules relating to trust and special funds; and
(iii) the economic use of the resources of the Commission.

9.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Executive Director.

9.3 The Executive Director may, after full investigation, and agreement with the Standing Committee on Finance and Administration, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditor with the accounts together with the justifications attached thereto. Such losses shall be included in the annual accounts.

9.4 Tenders in writing for equipment, supplies and other requirements shall be invited by advertisement, or by direct requests for quotation from at least three persons or firms able to supply the equipment, supplies or other requirements, if such exist, in connection with all purchases or contracts, the amounts of which exceed US$5,000 or US$1,000, respectively. For amounts exceeding US$500 but up to US$1,000, competition shall be obtained either by the above means or by telephone or personal enquiry. The foregoing rules shall, however, not apply in the following cases:

(a) where it has been ascertained that only a single supplier exists and that fact is so certified by the Executive Director;

(b) In case of emergency, or where, for any other reason, these rules would not be in the best financial interests of the Commission and that fact is so certified by the Executive Director.

Regulation 10 - The Accounts

10.1 The Executive Director shall ensure that appropriate records and accounts are kept of the transactions and affairs of the Commission and shall do all things necessary to ensure that all payments out of the Commission's moneys are correctly made and properly authorized and that adequate control is maintained over the assets of, or in the custody of, the Commission and over the incurring of liabilities by the Commission.

10.2 The Executive Director shall submit to the Commission, through the Standing Committee on Finance and Administration, not later than 31 March immediately following the end of the financial year, annual financial statements showing, for the financial year to which they relate:

(a) the income and expenditure relating to all funds and accounts;

(b) the situation with regard to budget appropriations, including:
 (i) the original budget appropriations;
 (ii) the approved expenditure in excess of the original budget appropriations;
 (iii) any other income;
 (iv) the amounts charged against these appropriations and other income;

(c) the financial assets and liabilities of the Commission;

(d) details of investments;

(e) losses of assets written-off in accordance with Regulation 9.3.

The Executive Director shall also give such other information as may be appropriate to indicate the financial position of the Commission.

10.3 The accounts of the Commission shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Executive Director may deem necessary.

10.4 Appropriate separate accounts shall be kept for all special, reserve and trust funds.

10.5 The annual financial statements shall be submitted by the Executive Director to the Auditor at the same time as they are submitted to the members of the Commission under 10.2 of this Regulation.

Regulation 11 - External Audit

11.1 The Commission shall appoint an external auditor who shall be an internationally recognized independent auditor with experience in the audit of international organizations. The Auditor shall be appointed for a period of two years and may be reappointed. The Commission will ensure respect for the Auditor's independence of the Commission, any subsidiary bodies established under the Convention and the Commission's staff and shall make provision for appropriate funds to the Auditor.

11.2 The Executive Director shall provide the Auditor with the facilities he or she may require in the performance of the audit.

11.3 The Auditor shall be completely independent and solely responsible for the conduct of the audit.

11.4 The Auditor or a person or persons authorized by him or her shall be entitled at all reasonable times to full and free access to all accounts and records of the Commission relating directly or indirectly to the receipt or payment of moneys by the Commission or to the acquisition, receipt, custody or disposal of assets by the Commission and may make copies of or take extracts from any such accounts or records.

11.5 The auditor shall audit all accounts of the Commission annually and shall conduct his or her examination of the financial statements in conformity with generally accepted auditing standards and shall report to the Commission, through the Standing Committee on Finance and Administration on all relevant matters, including:

(a) whether, in his or her opinion, the statements are based on proper accounts and records;

(b) whether the statements are in agreement with the accounts and the records;

(c) whether, in his or her opinion, the income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year have been in accordance with these Regulations; and

(d) observations with respect to the efficiency and economy of the financial procedures and conduct of business, the accounting system, internal financial controls and the administration and management of the Commission.

11.6 If required by the Commission to perform a review audit, the Auditor shall review the statements and accounting controls in operation. He or she shall report to the Commission whether anything has come to his or her attention which would cause him or her to doubt whether:

(a) the statements are based on proper accounts and records;

(b) the statements are in agreement with the accounts and the records; or

(c) the income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year have been in accordance with the present Regulation.

11.7 The Auditor shall submit to the Commission and the Standing Committee on Finance and Administration a report no later than six-month following the ending of the financial year on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Auditor deems necessary with regard to matters referred to in Regulations 11.5 and 11.6, as appropriate.

11.8 The Commission or the Standing Committee on Finance and Administration may request the Auditor to perform certain specific examinations and issue separate reports on the results.

11.9 The Standing Committee on Finance and Administration shall forward to the Commission its comment, if any, on the audited financial statements and the audit report within 60 days of its receipt.

11.10 The Commission shall, following consideration of the audited annual financial statements and audit report submitted to it under Regulation 11.7 of the present Regulation, signify its acceptance of the audited annual financial statements or take such other action as it may consider appropriate.

Regulation 12 - Salaries
12.1 The Commission shall adopt from time to time a salary scale for the Executive Director and the staff based, to the extent possible, on the salary scale and position classification system of the United Nations Development Programme applicable for the location where the headquarter of the Commission is placed.

Regulation 13 - Bonding
13.1 The Executive Director and such other members of the staff as may be required shall be bonded by a reputable Bonding Company in such amount as may be determined by the Commission from time to time. The Commission therefore shall assume the cost of the premium.

Regulation 14 - Interpretation
14.1 The Executive Director shall rule, in cases of doubts as to the interpretation and application for any of these Regulations upon consultation with the Standing Committee of Finance and Administration.

Regulation 15 - Insurance
15.1 The Commission may take out suitable insurance with reputable financial institutions against normal risks to its assets.

Regulation 16 - General Provision
16.1 These Regulations shall become effective on the date they are approved by the Commission. Subject to the provisions of the Convention, the Commission in accordance with

Articles 20 and 40 of the Convention may amend these Regulations.

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Annex

Explanatory Note

This note explains the background and rationale for the proposed Scheme of Contributions by members, the Special Committee of Administration and Finance, and the Special Requirement Fund.

I. The Scheme of Contributions (Regulation 5.3)

1. Introduction

The Convention states that each member's contribution to the budget shall be determined in accordance with a scheme which places due consideration to three factors: basic fee, a fee based on national wealth, and a variable fee based on the total catch of each member. The scheme, i.e., the relative weight of each factor, shall be adopted by the Commission and shall be set out in the Financial Regulations of the Commission (Article 18). This note explains the method of measuring the three factors and rationales for placing a specific weight on each of the three factors of the scheme of contributions. This proposal places a weight of 20% of the annual budget to basic fees to be assessed equally among all members; 40% to national wealth; and 40% to the total catch (in the case of a developing member state, after applying a discount factor of 4/5 to the catch taken by its flag vessels in its own EEZs.).

2. Basic Fees

In several highly migratory fish stock (HMFS) conventions, the basic fee for each member ranges between 10% (e.g. IOTC) to 30% (e.g. NAFO) of the budget (Annex). In our proposal, a level of 20% is chosen for the following reasons.

First, it is consistent with the objective of the Convention (Article 2): long term conservation and sustainable use of HMFS. Since all members would draw a substantial level of benefits by the attainment of this objective, the basic fee should occupy a substantial portion of the total contribution by each member.

Second, since the "basic" fee should finance the "basic" part of the budget of the Commission, the basic fee should constitute a "substantial" portion of each member's contribution to the budget. The 20% represent this minimum level of the "substantial" portion of the contribution by each member.

Third, a relatively high level of basic fee will help ensure an efficient design and use of the budget. All members would benefit from the efficient design and use of the budget; however there is no built-in mechanism to ensure the efficiency in the current Convention. In particular, those members who contribute a relatively small share to the budget may tend to pursue a larger budget, which in turn may lead to inefficient use of the budget. However, if every member has to contribute a substantial and equal share of the budget, all members will have a built-in incentive to design a reasonable and efficient size of the budget.

Fourth, a basic fee level of 20% leaves a portion to be divided equally between the other two equally important criteria for determining the contribution of each member (i.e., national wealth and total catch).

Fifth, a basic fee level of 30% would impose an undue burden on the developing states and territories, which are obligated to make an equal amount of contributions to the budget as more developed states under the Convention. This burden will become heavier especially when the size of the budget becomes larger. With an estimated size of the annual budget of US $ 2 million, each member's contribution at the 20% basic fee would be about US $15,400 per year. At 30% basic fee, the contribution would rise to US $ 23,100 per year.

3. National Wealth

A weight of 40% is proposed for National Wealth. This weight has been selected to give an equal weight to both National Wealth and Total Catch. The equal weight is justified since the Convention uses National Wealth in addition to the usual criterion of Total Catch for the contribution scheme adopted in several other international organizations. It is interpreted that the Convention intends to mobilize the financial resources needed for the conservation of fishery resources on the basis of not only Total Catch, but also National Wealth. The intention must be to mobilize the financial resources without causing the possible side effects of suppressing or discouraging members' catch activities. Therefore, due consideration should be given to National Wealth as much as to Total Catch a basis for the contribution scheme. In another HMFS convention, which was ratified by most of WCPFC members, these two criteria are taken into account in an equal proportion (e.g. IOTC) (see Annex).

The best proxy for the national wealth, reflecting the state of development of the member concerned and its ability to pay, is the one used by the World Bank, IMF, and the UN, of which most members of the Commission are also members. The UN and IMF use the basic data compiled by the World Bank for computing the National Wealth.

These institutions all try to measure the National Wealth by applying the indicator of the ability to pay adjusted by the state of development. The ability to pay is estimated by the size of the economy, which is often measured by Gross National Product (GNP) or Income (GNI). However, technically speaking, the method of estimating GNP and per capita GNP is complex and controversial. Some technical issues involve on whether they should be measured on the basis of market prices or by purchasing power; and which exchange rates should be used to convert the national income measured in local currency into a common currency. Therefore, the UN Secretariat and many specialized UN agencies, as well as IMF and regional development banks, use the data compiled by the method adopted by the World Bank Group.

The IBRD (the major institution of the World Bank Group) allows all its members to subscribe its capital stock in proportion to their ability to pay (i.e. the size of the economy or GNP) adjusted by the state of development (i.e., GNP per capita) of their members. Each member's share of the total capital subscriptions has been adjusted every five years in general and in between the general adjustments at the special request of a member. Each member's share of the capital subscription is published annually in the World Bank Annual Report in September. By using the already internationally recognized, verifiable, and easily available proxy of the National Wealth, members of the Commission can avoid technical complications and can ensure a technical impartiality, transparency, and easy access.

For a fishing entity which agrees to be bound by the regime established by the Convention, but whose share of the World Bank capital subscription is not included in the World Bank Annual

Report, the Executive Director may ask the World Bank to compute the potential share of the fishing entity in the same method as applied to other members. Alternatively, the Commission can adopt a share appropriate to the entity. For example, Chinese Taiwan has a level of GNP and per capita income comparable to those of Australia and Korea. Therefore, the National Wealth of Chinese Taipei would be approximated by Australia's and Korea's share of the capital stock of the World Bank.

4. Total Catch

A weight of 40% is proposed for Total Catch. This weight is the same as the one for National Wealth.

Many conventions use this criterion alone or in conjunction with other criteria for determining the contribution of each member. However, WCPFC Convention is peculiar in the sense that the total catch is divided into two components (i.e. the catch in the high seas and within exclusive economic zones (EEZ)), and then a discount factor is given to the catch within EEZs by its own flag vessels. In applying this criterion, there are at least three issues.

One issue in applying this criterion would be the discount factor to be given to the catch taken within EEZs by developing member states and territories. In view of the spirit of Articles 7 and 30, our proposal is to consider only one-fifth of the catch in the computation of the total catch. In other words, a discount factor of four-fifths is given to the catch taken within EEZs by the developing states and territories. This is comparable to the similar provision under IOTC (para. 4 in the Annex to the Financial Regulations of the Convention).

A second issue is to define the species to be counted as total catch. Our proposal is to include all tunas and tuna-like species. This is consistent with the practice of most other conventions (except for CCSBT), which take into account all nominal catch. It is also consistent with the spirit of Articles 1 (f), 3.3, 5(d)(e) and (i), and 6.4, which include all tunas and tuna-like species.

A third issue involved in defining the total catch is whether the annual total catch should be used as a basis for calculating each member's contribution to the budget. Some HMFS conventions use the average catch in the three calendar years (e.g. IOTC). The rationale may be to smooth out possible fluctuations in the amount of annual contribution due to the variations in the annual catch by averaging them out in the three calendar years. However, this is contrary to the spirit of the Convention taking this criterion into account. As long as the total catch is to be used as a criterion, the annual contribution of each member should reflect the variations in the annual catch. Using the annual catch, instead of a three-year average, is also consistent with the principles of simplicity, transparency, and verifiability, the principles adopted at the Pre-Convention Meeting in Honolulu (a working paper prepared for MHLC4 and updated for MHLC6: ref. MHLC/Inf.2/Rev.2, Six Session, Honolulu, Hawaii, 11-19 April 2000). The annual catch is also the practice of many other conventions (e.g. CCAMLR, CCSBT, NAFO, IATTC).

If the stability of each member's annual contribution is desired, it can be attained by giving a smaller weight to this annual catch criterion, and by giving a greater weight to other criteria, such as the basic fee and the national wealth. Therefore, an equal weight of 40% is placed on both the national wealth indicator and the total annual catch. A weight of 40% given to the annual total catch is comparable to the weight given by the IOTC and is smaller than that given by CCSBT, ICCAT, and IATTC, which use only the annual catch criterion alone or use it together with the flat rate of basic fees, without using the national wealth criterion for the contribution scheme.

II The Standing Committee of Finance and Administration (Regulation 3.7)

1. Introduction

It is proposed that a Standing Committee of Finance and Administration shall be established to advise the Commission and the Executive Director on the finance and administration of the Commission. In connection with this proposal, three potential issues may arise: first, the rationale for the establishment of the Committee; second, the composition of the Committee; and third, functions of the Committee.

2. Rationale for the Standing Committee

At least, five strong reasons can be considered.

First, although the Convention established two subsidiary committees responsible for scientific matters and technical and compliance issues, it has not created any subsidiary bodies responsible for finance and administration. However, it is envisaged that the Commission may establish other subsidiary bodies as needed (Article 11.6).

Second, many international organizations established a board of directors to provide advice and recommendations to the governing body (Commission) and the Executive Director on matters related to day-to-day operations, in particular on administration and finance. However, the WCPFC does not have any board of directors. And it is costly and cumbersome to convene a special meeting of all members to review, discuss or make decisions on the day-to-day administration and finance matters of the commission (Article 9.3). It will be convenient to establish a standing committee responsible for finance and administration as a subsidiary body of the Commission.

Third, the practice of check and balance between the legislative and executive branches of any organization has proved sound and healthy. The WCPFC would benefit from the same organizational principle and practice by establishing a standing committee on finance and administration, which will oversee day-to-day administration and finance of the Executive Director.

Fourth, there may be potential tensions between members of WCPFC. It is composed of members who are situated north and south of the 20 degree parallel of north latitude in the Convention Area (Articles 3.1 and 36); who are actively fishing with advanced technology and less actively fishing with lagged technology; who are rich and poor in national wealth; who are advanced and developing in terms of the stage of economic development; and who are large and small island economies. Consequently, there may be potentially conflicting situations in the conservation and management of fishery resources. The convention recognizes these potential tensions among member countries situated north and south of the 20-degree parallel of north latitude (Articles 11.7 and 36.1). Such potential tensions would not be easily resolved at a meeting with the participation of all members. It would be more efficient to establish a standing committee with a relatively small number of members representing different points of view and work out the differences to provide recommendations to the Commission and advise the Executive Director.

Fifth, other international fishery organizations have also adopted a similar committee system (e.g. IOTC, NAFO, NPAFC,CCAMLR).

3. Composition of the Standing Committee

Because of the potentially different views and interests among members of the Commission, it would be wise to allocate the membership in accordance with the potentially different views and interests. The Convention has already recognized this potentially different views and interests among members and made several provisions on the basis of such differences (e.g. Articles 7.2; 11.7; 18.2; 20.2; 30; 36). For example, on the one hand, those members situated north of the 20 degree of the north parallel in the Convention Area or non-FFA members have relatively poorer fish stocks, relatively larger economies with richer national wealth, and are actively fishing with more advanced technology. On the other hand, those members situated south of the 20 degree of the north parallel in the Convention Area or FFA members have relatively more abundant fish stocks, relatively small economies with poorer national wealth, and are less actively fishing with lagged technology. Therefore, it is proposed that members of the Convention would be divided into two groups by some agreed criteria, and ,on the one hand, four members of one group would be elected among members of that group for the membership of the Committee; on the other hand, four members of other group would be elected to the Standing Committee. The specific criteria to be chosen will need to be discussed more.

4. Functions of the Standing Committee on Finance and Administration

- Transfer of budgets between items (Regulation 4.10)
- Transfer of surpluses to special funds (Regulation 6.1)
- Recommendations on annual budgets (Regulations 3.10-3.11)
- Use of the Special Fund for Developing members (Regulation 6.1 (e))
- Establishment of trust or special funds (Regulation 6.2)
- Voluntary contributions by non-members (Regulation 7.2)
- Banks where the funds are kept (Regulation 7.3)
- Long-term investments (Regulation 8.2)
- Writing-off of assets (Regulation 9.3)
- Annual financial statements (Regulation 10.2)
- Annual audit reports (Regulation 11.5)
- Special audit reports (Regulation 11.7)
- Interpretation and application of Financial Regulations (Regulation 14.1)

III Special Requirement Fund (Regulation 6.1 (e)).

1. Introduction

It is proposed that the special fund established pursuant to Article 30, Paragraph 3 of the Convention shall finance expenses to provide for active participation of small developing States Parties, particularly small island developing states, and where appropriate , territories and possessions, in meetings other than the regular annual meetings of the Commission and its subsidiary bodies, assistance relating to human resources development, technical assistance, transfer of technology, and advisory and consultative services related to conservation, management, and development of highly migratory fish stocks in the Convention area, upon receiving an application from the member States Parties, territories and possessions and upon approval by the Executive Director in consultation with the Standing Committee of Finance and Administration.

It is also proposed that the Fund shall be financed by voluntary contributions, any other funds, which the Commission may receive, cash surplus transferred by the Executive Director, and the annual budget amount approved for transfer to the Fund.

2. Criteria for Eligibility and Guidelines for Administration

In view of the special needs of the developing state parties, especially small island developing states, the proposed Fund should finance not only the expenses related to the participation of the members in meetings of the Commission and its subsidiary bodies, but also other activities dedicated to conservation, management, and development of highly migratory fish stocks in the Convention area. Therefore, the purpose of the Fund should be defined in a broad sense to include technical assistance, human resources development, technology transfer etc., as long as they are related to the conservation, management and development of highly migratory fish stocks in the Convention area.

At the same time, the criteria for the parties and activities eligible for financing from the Fund should be managed flexibly to take into account the special needs and circumstances of each case and the availability of Fund resources. In other words, the application of the Fund should not be an automatic or entitlement program, but be a need-based and merit- based program. Therefore, potential users of the Fund resources should apply for them through Executive Director, who should consult with the Standing Committee of Finance and Administration for the examination of the needs of the competing applicants and for the selection of the relatively more cost-effective uses of the Fund resources.

Since this Fund is set up to meet the special needs of the developing states, any activities expected of any members of the Commission to undertake as basic responsibilities should not be considered for financing from the Fund. An example is the attendance to the regular annual meeting of the Commission or its subsidiary bodies. This principle also put pressure on the organizers of all meetings to plan and manage them efficiently.

The Convention stipulates the establishment of the Fund, but does not spell out the sources of the Fund. If the Convention spirit is followed, the Fund should be financed mainly by voluntary contributions and other funds, which the Commission may receive (Article 17.1). However, there is no need to limit the sources of the Fund narrowly. For example, any cash surplus remaining at the end of a financial year may be transferred to the Fund with approval of the Standing Committee of Finance and Administration. This will encourage the Secretariat to save budgetary resources. Also, the assessed contributions of the members of the Commission may also be budgeted to be transferred to the Fund. However, for the sake of accountability and the spirit of the Convention, the assessed contributions should not finance directly the budget expenses earmarked for the special requirement of developing states. As the proposed budget should indicate which expenses are to be financed from different sources of the funds of the Commission (Article 18.1), it is expected that the budget expenses for meeting the special requirement of developing states should be financed from the Special Requirement Fund established pursuant to Article 30.3. However, there is no need to prevent the assessed contributions by members to be transferred to the Fund as long as the assessed contributions are not the main source of the Fund. The assessed contributions should be a supplementary source of the Fund, and should not finance the budgetary expenses for meeting the special requirement of developing states directly.

Comparison of Contribution Schemes (% of the budget)

	IOTC	CCAMLR[2]	CCSBT	NAFO	ICCAT	IATTC	NPAFC[6]	NASCO	SEAFO[7]
Basic Fee	10 10 [1]	100	30	30 [3]	32		100	30	
National Wealth Fee	40								
Variable Fee (total catch)	40		70	10 [4] 60 [5]	68	100		70	

* Note:
1: Equally divided among members having operations in the Area targeting species covered by the Commission.
2: For the first year, equal contributions to the budget by all members. Thereafter, X% by catch and Y% by equal sharing among all members. X and Y to be determined by the Commission.
3: 30% of the budget divided equally among all the Contracting Parties.
4: 10% of the budget divided among the Coastal States in proportion to their nominal catches in the Convention Area.
5: 60% of the budget divided among all the Contracting Parties in proportion to their nominal catches in the Convention Area.
6: The budget of NPAFC shall be equally divided among the Parties.
7: The precise proportion to be indicated in Financial Regulations, which are not yet prepared by the Commission.

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