**COMMISSION**

**NINETEENTH REGULAR SESSION**

Danang, Vietnam

27 November - 3 December 2022

**SUMMARY REPORT AND RECOMMENDATIONS OF THE SIXTEENTH SESSION OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC16)**

**WCPFC19-2022-FAC16-xx DRAFT 1**

**xx December 2022**

**INTRODUCTION**

1. The Sixteenth Finance and Administration Committee (FAC16) was convened by the FAC Co-Chairs Mr. Michael Brakke (USA) and Mr David Power (AU) on Sunday, 27th November 2022. Subsequent sessions of FAC were held on 1st and 3rd December 2022. Representatives of American Samoa, Australia, Canada, China, Cook Islands, European Union, French Polynesia, Federated States of Micronesia, Fiji, Indonesia, Japan, Kiribati, Republic of Korea, Republic of the Marshall Islands, New Caledonia, New Zealand, Niue, Palau, Philippines, Solomon Islands, Chinese Taipei, Tonga, Tokelau, Tuvalu, United States of America, Curaçao, Ecuador, El Salvador, Liberia, FFA, PEW, PNA, Conservation International, MSC, The Ocean Foundation, SPC, and WWF were in attendance. Meeting support was provided by the Secretariat. The list of participants is attached as Annex 4. The Committee agreed by consensus to present to the Commission the decisions and recommendations set out below.

**AGENDA ITEM 1. OPENING OF MEETING**

1. FAC Co-Chairs Mr. Michael Brakke (US) and Mr David Power (AU) called the 16th Session of the Finance and Administration Committee (FAC16) to order at 10:00 AM on 27 November. The Co-Chairs welcomed all participants, thanked Vietnam for hosting and making this in-person meeting possible, and also thanked the Secretariat for organizing and leading preparations this meeting, and acknowledge the significance of the first in-person meeting of the Committee since 2019.
2. Dr Tuikolongahau Halafihi (Tonga) led the opening prayer.
3. The Executive Director (ED), Feleti Teo, gave a brief opening message, welcoming all participants to FAC16 and also recognizing that some delegates are participating virtually. The ED further explained the protocols for participants participating virtually, noting that they could only be allowed to make an intervention if their head of delegation is not physically present at this meeting in Da Nang, Vietnam. The ED also highlighted two items in the agenda, namely, Agenda 4.2 (Triannual Salary Report) and Agenda 4.3 (Establishment of Professional Staff) that merit considerable discussion at FAC16. He wished the Committee well in its deliberations.
	1. **Adoption of agenda**
4. The FAC16 agenda set out in WCPFC19-2022-FAC16-01\_rev1 was adopted without revision.
	1. **Meeting arrangements**
5. The Secretariat Finance and Administration Manager (FAM) Aaron Nighswander gave an overview of the meeting arrangements.
6. The Co-Chairs noted they would trade responsibilities for leading each agenda item, while supporting each other as well as the Committee on each item. As suggested by the Co-Chairs, the report format will be consistent with the previous approach wherein it summarizes the outcomes of the meeting discussions and minimizes characterization of interventions unless specifically requested. The Co-Chairs encouraged CCMs to inform the Committee if they wanted their interventions specifically reflected in the report.

**AGENDA ITEM 2. AUDIT**

**2.1 Auditor Report for 2021 and General Account Financial** **Statements for 2021**

1. The FAM summarized the information in WCPFC19-2022-FAC16-06, noting the 2021 audit report was circulated to the Commission members on 13th October 2022, with delays in the audit report due to COVID-19 situation. The FAM noted that based on the auditor’s report, all financial statements were fair and that there were no instances of non-compliance with the Commission’s Financial Regulation 12.4 (c) regarding income, expenditure, investment and asset management nor with Financial Regulation 12.4 (d) pertaining to financial procedures, accounting, internal controls and administration.
2. The FAM reported that for the General Account Fund, the financial statements showed that there was deficit of income over expenditure of USD432,184. In addition, prior years’ contributions of USD474,085 were paid by some Members in 2021. In accordance with Financial Regulation 4.4, the balance was transferred to the Working Capital Fund.
3. **FAC16 recommended that the Commission accepts the audited financial statements for 2021 as set out in paper WCPFC19-2022-FAC16-06.**
	1. **Appointment of Auditor**
4. The FAM introduced WCPFC19-2022-FAC16-05. The FAM reported that the tender for audit services to audit the 2022 and 2023 financial statements and accounts of the Commission was posted on the WCPFC website 12 October 2022. The Secretariat received one quote from Ernst & Young, a well-known auditing firm that will be establishing an office in Pohnpei, FSM in early January 2023. The proposed audit cost is USD7,000 per year.
5. It was also clarified that the current auditor Deloitte no longer provide audit services in the Pacific.
6. **FAC16 recommended that the Commission support the appointment of Ernst & Young as auditor for the next 2-years to undertake the audits of the Commission’s 2022 and 2023 financial statements and accounts.**

**AGENDA ITEM 3. STATUS OF THE COMMISSION’S FUNDS**

* 1. **Report on General Account Fund for 2022 – Contributions and Other Incomes**
1. The FAM introduced paper WCPFC19-2022-FAC16-04\_rev1 issued on 25 Nov 2022. The assessed contributions for 2022 were USD6,967,452 and the outstanding 2022 unpaid contributions stand at USD650,308 from nine members as of 25 November 2022. The FAM stated there is no member that has 2 full years in arrears noting Article 18, paragraph 3 of the Convention.
2. Some members raised concerns on the continued increase in members contributions as a result of continued increases in budget and this will be further considered under Agenda 5.
3. **FAC16 noted the report in WCPFC19-2022-FAC16-04 Rev1.**
	1. **Report on the Status of Other Funds for 2022**
4. The FAM introduced paper WCPFC19-2022-FAC16-08\_rev1, noting the balances in i) the Special Requirements Fund (SRF); ii) the Japan Trust Fund; iii) the Chinese Taipei Trust Fund; iv) the CNM Contributions Fund; v) the Voluntary Contributions Fund; vi) the West Pacific East Asia Project Fund; and vii) the Working Capital Fund.
5. Some CCMs thanked Australia and China for their contribution to the SRF, Japan and Chinese Taipei for their respective trust funds, and USA for their voluntary contributions. With respect to one of the originally intended purposes of a U.S. voluntary contribution, some CCMs do not support extending the number of days for TCC19. These CCMs also acknowledged that SIDS have benefited from the use of SRF to fund their meeting participation and suggested streamlining the process on the use of the SRF funds to support SIDS travel to meetings of the Commission and its subsidiary bodies, by waiving reporting requirements for such purposes.
6. The FAM clarified that in the current financial regulation 7.8, the Commission has made such exemption on the reporting requirement if the fund was used to finance participation of WCPFC subsidiary bodies Chairpersons and the Commission Vice Chair to attend the annual meeting. The FAM noted that one option was to extend this exemption for individual delegates from all SIDS and Participating Territories.
7. USA noted it gave a voluntary contribution to WCPFC ahead of the TCC meeting, anticipating the additional day/s needed to progress the CMS process in 2023. Since this funding is no longer needed based on TCC18 outcomes, the USA welcomes suggestions from other CCMs on how best to utilize these funds, and the USA will communicate separately with the Secretariat to repurpose them. A second part of the USA voluntary contribution was to support migration of the new Record of Fishing Vessels (RFV) and training for WCPFC-IATTC cross-endorsed observers.
8. Noting the discussions, there was a suggestion to amend the financial regulation 7.8 to also waive the SRF application and reporting requirements to fund one traveler from SIDS and participating territories to participate in meetings of the WCPFC and its Subsidiary bodies. SIDS and participating territories may still submit an application for SRF funding to support participation by more than one traveler and this will considered by the Secretariat on a case-by-case basis in accordance with established SRF terms of reference.
9. **FAC16 noted the report in WCPFC19-2022-FAC16-08 Rev1.**
10. **[FAC16 recommends to the Commission that financial regulation 7.8 be amended to read:**

**7.8 Financial Regulation 7.5 and 7.7 on the application process and reporting requirements, respectively, shall be waived for:**

1. **one traveler from each small island developing States and Participating Territories delegation to meetings of the Annual Session of the Commission and its subsidiary bodies; and**
2. **the travel for the Chairs of SC, TCC, FAC Co-Chair and the WCPFC Vice Chair from SIDS to the Annual Session.]**

**AGENDA ITEM 4. HEADQUARTERS ISSUES**

* 1. **Headquarters Matters**
1. The FAM presented paper WCPFC19-2022-FAC16-09 highlighting the issues at headquarters arising in 2022. The FAM highlighted with concern the following: i) medical care, ii) telecommunication and internet, iii) travel, iv) security and v) housing in Pohnpei.
2. **FAC16 noted the report in WCPFC19-2022-FAC16-09.**

**4.2. Triannual Salary Review**

1. The ED presented WCPFC19-2022-FAC16-10, wherein under the Staff Regulation 19, professional staff salaries are to be reviewed every three years. The ED explained that there are three applicable salary scales used at the Secretariat: the ED using the UN-D1 scale; professional staff aligned with Council of Regional Organizations in the Pacific (CROP); and support staff, based on local salary market in Pohnpei (PNI). Focusing only on the Professional Staff salary, in 2019, the consultant that prepared the current survey recommended consideration of a relatively large increase of over 20% for Bands M-J, which may not be financially feasible. If the amount of the increase recommended in the paper is not palatable, as in previous years, it is strongly recommended that a 5% increase be implemented. This is based on the increase of 6.7% to the UN-D1 salary scale provided to the Director for 2020-2023 minus the 1.7% increase that was provided to professional staff in 2020.
2. It was suggested that the Commission may also consider pegging the professional staff salary scales to the annual adjustments in the UN-D1 salary scale which averages to 1.7% a year. This would allow the professional staff to keep the salary scales in relative alignment with the ED’s salary, adjust for inflation, and avoid larger increases that may put more pressure on the budget once every three years. If this was to be implemented, the need for tri-annual reviews currently required as per the Staff Regulations may no longer be needed or conducted less frequently. The cost of providing a 5% increase for professional staff would be USD78,003 in 2023.
3. Some CCMs stated the Tri-annual Salary Review report is hard to interpret and acknowledged the need to balance Secretariat professional staff salaries with actual salaries in the current market, indicating the salary review provided comparison to potential salaries in CROP agencies rather than salaries as actually paid. CCMs noted that WCPFC is not a CROP agency and there was a suggestion to also consider reviewing WCPFC professional staff salaries relative to other RFMO salaries in the future. Some CCMs also recommended that the impact of inflation be considered.
4. Cook Islands thanked the ED for the background information and the suggested recommendations but noted there is a need of further consideration on the elements and fundamentals of the tri-annual salary Review report. After meeting with the informal small working group and interested CCMs on the margins, the Cook Islands gave further updates on the intersessional work on tri-annual salary review. Some CCMs suggested to develop a salary system that is appropriate for WCPFC, simple to understand and implement, and allows adjustments due to inflation. The intersessional work might also consider moving from a SDR to a USD salary scale and adjusting the salary review period.
5. **[FAC16 recommends the Commission approve a 5% increase in professional staff salary from 2023, excluding the Executive Director, to align with the recent increase in other WCPFC staff salaries and account for cost of living increases due to inflation.**
6. **With respect to broader issues related to the tri-annual market review and professional staff remuneration, FAC16 notes WCPFC19-2022-FAC16-10 but determined that additional information on relevant salary benchmarks and further discussion among CCMs is needed to reach consensus in future changes on professional staff salaries. FAC16 recommends that FAC Co-Chairs work intersessionally with Secretariat and interested CCMs to identify potential recommendations for consideration of FAC17 on the following issues, without prejudice to future decision-making process:**
7. **Options to align staff salary including the Executive Director, on a single simplified salary scale and/or other improvements related to the salary scale structure;**
8. **The advantages and disadvantages of changing the denomination of professional staff salaries from IMF Special Drawing Rights (SDR) to U.S. Dollars for greater clarity and to align with the currency of the Commission’s budget and financial accounts;**
9. **Options to establish automatic cost-of-living increases for staff salaries which could minimize the need for future salary reviews;**
10. **Changes to the content and frequency of salary market reviews including ensuring clearer comparison to the actual salary ranges comparable position in CROP agencies as well as remuneration of other relevant RFMO secretariats;**
11. **Methods to ensure any changes to staff salaries do not result in lower remuneration for existing professional staff;**
12. **Any necessary changes to the Commission’s Staff Regulations or Financial Regulations to accomplish any resulting recommendations.]**

**4.3. Staff Establishment**

1. The ED presented WCPFC19-2022-FAC16-11, which seeks endorsement on the establishment of new professional staff (Compliance and Monitoring Analyst), noting the substantial increase in the commitment of the Secretariat in support of the Technical and Compliance Committee (TCC).
2. CCMs acknowledge the Secretariat’s workload but requested additional information from the Secretariat for this new position. They also acknowledged that this new position could support capacity building of SIDS in terms of WCPFC related work. Some CCMs suggested that the Secretariat consider internships as an approach to increase staff capacity while also providing development opportunities, particularly for SIDS. Noting the streamlined reporting process, it was viewed that this increase in workload might not continue in the coming years. Some CCMs expressed reservations about adding the permanent professional staff position as proposed, without more time to consider the need as well as the budgetary implications.
3. The FAM provided an update on the increased workload in 2023 and proposed that a short-term consultancy be supported at a minimum for 2023 to ensure that secretariat has the necessary capacity to support the Commission and TCC over the coming year. The estimated cost of the short-term consultancy is $80,000 and it was proposed that this be included as a new budget line under 2.3 in the budget. There was a suggestion that this be considered on a one-year trial basis with an evaluation review to be provided at the next session of the FAC and the Commission.
4. **[FAC16 recommends the Commission approve $80,000 for a short-term consultancy to support the increase in the Secretariat’s workload in the coming year. FAC16 included this cost in the budget recommended to the Commission. FAC16 recommends the Secretariat report to TCC19 and FAC17 with its views on the necessity of continuing this consultancy or seeking other arrangements for future years, in order to inform further consideration as appropriate at FAC17.]**

**AGENDA ITEM 5. WORK PROGRAMME AND BUDGET FOR 2023** **AND INDICATIVE**

**WORK PROGRAMME AND BUDGET FOR 2024 AND 2025**

1. The FAM presented paper WCPFC19-2022-FAC16-07 Rev1, detailing the proposed 2023 budget based on recommendations from SC, TCC, Intersessional Working Groups, and the operations of the WCPFC Secretariat. The FAM highlighted items that have not yet been included in the draft budget pending FAC deliberations and Commission decisions. The FAM noted that the proposed rev1 budget represents a 4.3% increase from the indicative 2023 budget and a 4.7% increase from the 2022 budget. The FAM noted that there were significant savings in the 2022 expenditures due to continued travel restrictions and the inability to undertake certain activities due to the COVID-19 pandemic.
2. The Co-Chair requested CCMs first focus their questions and comments on general issues and budget figures related to the paper, followed by a more detailed line-item discussion on Annex 3 that was organized according to major parts of the budget.
3. Some CCMs raised concerns on maintaining hybrid meetings, mindful of the additional costs as described by the Secretariat and that some SIDS could encounter challenges hosting hybrid meetings due to bandwidth concerns. Some CCMs expressed a preference to retain hybrid meetings noting it may be too soon to revert back to meeting in person only.
4. Some CCMs sought clarifications related to parts 1 and 2 of the budget, including on ED discretion, increase in rapporteur services, official hospitality, increase in information and communication technology, cross-endorsement training, ER-EM, and VMS Capital cost items, which were addressed by the FAM.
5. The Secretariat introduced a revised draft budget on November 29 to reflect preliminary deliberations from the first session of the FAC, including a proposed 5% increase in professional staff salary, reduced audit cost, reduced VMS costs, and a 1.8% increase in salaries for local staff to account for inflation.
6. In response to the Staff Establishment paper (WCPFC19-2022-FAC16-11) and based on feedback from CCMs under agenda item 4.3, a short-term consultancy was included in the final revised budget with $80,000 allocated.
7. After considerable discussion, FAC16 revised the draft budget to delay the implementation of the three lowest-ranked SC projects (P68-estimate of seabird mortality; P18X7-Pacific whale shark assessment; and P18X6-Pacific silky shark assessment) for another year. In this regard, P18X7-whale shark ($85,000) would be included in the indicative budget for 2024. P68-Seabirds would be pushed back by one year, with $25,000 included in the indicative budget for 2024 and $40,000 included in the indicative budget for 2025. P18X6-silky shark had no proposed budget for 2023 and $30,000 was retained for inclusion in the indicative budget for 2024. This has the combined effect of reducing the proposed 2023 budget by $110,000. FAC16 discussed that these projects should be considered by SC19 in its ranking of projects, with the understanding that SC may re-consider their prioritization of projects again in 2023.
8. The Co-Chairs presented options for accommodating potential changes to the budget based on Commission decisions that may be taken between the adoption of the FAC report and the close of the Commission meeting. The FAM noted that it may be advisable to reduce the amount that is offset by the Working Capital Fund under Annex 4 of WCPFC19-2022-FAC16-07 Rev1, which would allow the FAC to finalize the budget and use the Working Capital Fund to fund any outstanding items that may need to be funded based on Commission decisions.
9. **[FAC16 recommended to the Commission a 2023 budget of USD8,819,999 (Annexes 1-3). FAC16 recommended that any additional costs related to Commission decisions that are not already included in the budget recommend by the FAC, such as relating to costs for hosting potential meetings in 2023, will be added to the draw down from the Working Capital Fund.]**

**AGENDA ITEM 6. OTHER MATTERS**

1. No items were raised under other matters.

**AGENDA ITEM 7. ADOPTION OF REPORT**

1. FAC16 adopted this summary report which was tabled as WCPFC19-2022-FAC16-xx.
2. **FAC16 invites WCPFC19 to consider this report and to endorse its recommendations.**

**AGENDA ITEM 8. CLOSE OF MEETING**

1. FAC Co-Chairs Mr. Michael Brakke (USA) and Mr David Power (AU) closed the final session of FAC16 at xx on 3rd December 2022.