

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION (PICES)  
PROJECT ON “MARINE ECOSYSTEM HEALTH AND HUMAN WELL-BEING”**

**FINANCIAL REPORT FOR YEAR 2 (APRIL 1, 2013 – MARCH 31, 2014)**

**1. Background**

In December 2011, the Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, through the Fisheries Agency of Japan (JFA), approved funding for a 5-year PICES project on “*Marine ecosystem health and human well-being*”. The project began in April 2012, with the ending date set as March 31, 2017. Its goal is to identify the relationships between sustainable human communities and productive marine ecosystems in the North Pacific, under the concept of fishery social-ecological systems (known in Japan as the “Sato-umi” fisheries management system). Considering that global changes are affecting both climate and human social and economic conditions, the project is expected to determine: a) how do marine ecosystems support human well-being? and b) how do human communities support sustainable and productive marine ecosystems? The project is also intended to foster partnerships with non-PICES member countries and related international organizations/programs. This contribution is from the Official Development Assistance (ODA) Fund and therefore, involvement of developing Pacific Rim countries in activities is required under this project.

In accordance with the organizational principles agreed to by MAFF/JFA and PICES, the project is directed by a Project Science Team (PST), co-chaired by Drs. Mitsutaku Makino (Fisheries Research Agency, Japan; mmakino@affrc.go.jp) and Ian Perry (Department of Fisheries and Oceans, Canada; Ian.Perry@dfo-mpo.gc.ca). The PST Co-Chairmen are responsible for the scientific implementation of the project and annual reporting to MAFF/JFA and PICES Science Board. This report should be submitted to JFA within 120 days after the close of each project year ending March 31, and include a summary of the activities carried out in the year, with an evaluation on the progress made, and a work plan for the following year (Project Principle 3.2).

**2. Financial principles and budget categories**

The following financial principles, agreed to by MAFF/JFA and PICES, apply to the project (Project Principle 4):

- A separate bank account shall be established to deposit the remitted funds;
- The interest earned by the fund shall be credited to the project and used in consultation with JFA;
- Any funds remaining after the completion of every fiscal year of the project shall be reported and disposed of in consultation with JFA;
- Transfers of up to 10% of allocations between the budget categories are allowed based solely on the decision by the PICES Executive Secretary. In special cases, transfers up to 20% between the budget categories can be authorized by JFA. All transfers shall be reported at the end of the fiscal year;
- A 13% overhead on the annual budget shall be retained by PICES to offset expenses related to the Secretariat’s involvement in the project;
- The PICES Executive Secretary (Dr. Alexander Bychkov; bychkov@pices.int) is responsible for the management of the fund and for reporting annually on its disposition to MAFF/JFA and PICES Governing Council within 120 days after the close of each project year ending March 31.

The main elements of the budget are organized into the following categories:

- Travel and meetings  
This category covers travel costs associated with project activities (organizational trips, field studies, *etc.*) and organization of project workshops and meetings.
- Contracts  
This category covers fees to be paid to consultants and experts employed to implement the project. Tasks and deliverables for contractors have to be determined by the Scientific Coordinators. To support the objectives of the project and to ensure that its activities have a minimal impact on the workload of the existing staff of the PICES Secretariat, the Executive Secretary can employ additional staff (*e.g.*, Project Assistant) as required.

- Equipment and supplies  
This category covers purchases and shipment of equipment and supplies for laboratory/field sampling/data processing/analysis, and computer hardware/software for the development of database(s) and the project website.
- Miscellaneous  
This category covers minor expenses associated with the project (mail and phone charges, bank charges, etc.) and includes contingencies such as fluctuations in currency exchange rates.

### 3. Project bank account and payment history

The special account for the project was established at the bank used by PICES:

Bank name: TD Canada Trust  
 Bank number: 004  
 SWIFT Code: TDOMCATTOR  
 Branch name: Sidney  
 Branch number: 00721  
 Bank Address: 2406 Beacon Avenue, Sidney, BC, Canada V8L 1X4  
 Account number: 07210 004 8479 5216811  
 Account holder: North Pacific Marine Science Organization (PICES)

- The set of documents requesting funding for Year 1 (FY 2012: April 1, 2012 – March 31, 2013) was sent to the Consulate General of Japan in Vancouver (Canada) on June 10, 2012, and funds in the amount of \$149,880 were transferred to the PICES/MAFF bank account on August 14, 2012.
- The set of documents requesting funding for Year 2 (FY 2013: April 1, 2013 – March 31, 2014) was sent to the Consulate General of Japan in Vancouver (Canada) on August 8, 2013, and funds in the amount of \$130,036 were transferred to the PICES/MAFF bank account on September 19, 2013.

### 4. Budget execution for fiscal Year 2

The MAFF contribution for Year 2 of the project was \$130,036. The account balance at the end of Year 1 was \$31,937, and this surplus was moved to Year 2. The proposed budget breakdown and actual expenses for each budget category are shown in Table 1. Table 2 provides more details on expenses for specific activities. The account balance at fiscal Year 2 end is \$31,919, and it is expected to use this surplus in Year 3.

**Table 1 Allocations and expenses for Year 2**

Category	Year 2 Allocation	Actual Expenses	Remainder
Travel and meetings	84,700	67,974	16,726
Contracts	45,000	45,271	(271)
Equipment and supplies	14,937	0	14,937
Miscellaneous	431	383	48
Overhead to PICES	16,905	16,905	0
<b>Total</b>	<b>161,973</b>	<b>130,533</b>	<b>31,440</b>
Interest earned			479
<b>Account Balance</b>			<b>31,919</b>

**Table 2 Expenses for various budget categories for Year 2**

<b>Category/Activity</b>	<b>Expenses</b>
<b>Travel and meetings</b>	<b>67,974</b>
Second Project Science Team meeting (June 10–12, 2013, Honolulu, USA)	13,492
Social survey scoping meeting (October 1–4, 2013, Jakarta, Indonesia)	1,378
Third Project Science Team meeting in conjunction with the PICES-2013 Annual Meeting (October 10, 2013, Nanaimo, Canada)	5,961
Scoping visit to Guatemala (January 27–31, 2014)	9,786
Nutrient and phytoplankton training workshop and preparations for Karawang pond experiment (March 24–27, 2014, Karawang/Jakarta, Indonesia)	9,357
Pond experiment (2014, Karawang, Indonesia)	28,000
<b>Contracts</b>	<b>45,271</b>
To conduct social survey for “Well-Being Cube” analysis in PICES members countries (Korea and USA), Part II (Citation Japan Co., Ltd.)	17,000
To conduct social survey for “Well-Being Cube” analysis in Indonesia (Agency for the Assessment and Application of Technology, BPPT, Indonesia)	2,500
To develop a material circulation box model to analyze results from the pond experiment (Bandung Institute of Technology, Indonesia)	5,000
To provide interpretation services for the January 2014 scoping visit to Guatemala and assistance in organizing/conducting the March 2014 Nutrient and Phytoplankton Training Workshop in Indonesia (Julian Herndon)	5,651
To provide assistance to Project Coordinators (Stranby Technical Services)	15,120
<b>Equipment and supplies</b>	<b>0</b>
<b>Miscellaneous</b>	<b>383</b>
<b>Overhead to PICES</b>	<b>16,905</b>

### 5. Budget and proposed allocations for fiscal Year 3

The account balance at the end of Year 2 is \$31,919, and the budget allocated by MAFF for Year 3 (FY 2014: April 1, 2014 – March 31, 2015) is \$83,553. The proposed budget breakdown is shown in Table 3. Details can be found in the Year 3 work plan included in the Year 2 progress report.

**Table 3 Proposed budget breakdown for Year 3**

<b>Category</b>	<b>Year 3 Allocation</b>	<b>Year 2 Transfer</b>	<b>Total Allocation</b>
Travel and meetings	34,000	10,000	44,000
Contracts	35,691	20,919	56,610
Equipment and supplies	2,000	1,000	3,000
Miscellaneous	1,000		1,000
Overhead	10,862		10,862
<b>Total</b>	<b>83,553</b>	<b>31,919</b>	<b>115,472</b>

## **6. Audit of the account**

The status of the MAFF account, for the period from April 1 to December 31, 2013, was assessed during the regular PICES audit for FY 2013. The financial statements were submitted to the auditor on March 31, 2014, and the audit was completed on May 9, 2014. The electronic copy of the Auditors' Report was circulated to all Contracting Parties on May 15. In the auditor's opinion, the financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2013, and the results of its operations and changes in fund balances for the year then ended. The financial statements for the rest of Year 2 of the MAFF project (January 1 to March 31, 2014) will be evaluated during the regular PICES audit for FY 2014.