

68th Annual Meeting of the International Whaling Commission

REPORT OF THE BUDGETARY SUB-COMMITTEE

09:00-13:00 Friday 14 October 2022, Portoroz, Slovenia

SUMMARY OF MAIN OUTCOMES

<i>Issue and Agenda item</i>	<i>Main Outcomes</i>
Audited accounts, Item 3	BSC recommends the 2018-2021 financial accounts as a true and fair record
Forecast outturn position, Item 4	BSC notes an expected small deficit for 2022 financial year
Review of proposed budget, Item 5	BSC recommends Option 2 be adopted for the 2023-2024 biennium budget and to adopt the observer, NGO and media fees as per the meeting proposal.
Budgetary Sub-Committee membership, Item 6	BSC confirmed future membership as Liberia, Marshall Islands, St Kitts and Nevis, Tanzania, Portugal, Slovak Republic, Germany, USA and UK. Australia to continue as BSC Chair, and the BSC Vice-Chair position is vacant.
Recommendations to the F&A Committee, Item 7	All of the above.

1. INTRODUCTORY ITEMS

At IWC/51 in 1999 the Commission agreed to establish a Budgetary Sub-Committee to review income and expenditures and proposed budgets to help expedite the work of the full Finance and Administration Committee (*Ann. Rep. Intl. Whaling Comm.* 1999: 46). This Sub-Committee first met at IWC/52 in 2000.

1.1 Appointment of Chair

Adam Clark (Australia) was appointed as BSC Chair.

1.2 Appointment of Vice-Chair

The BSC Vice-Chair's position is vacant and the Sub-Committee referred the role to the Commission as a vacant position.

1.3 Appointment of rapporteurs

Patricia Cremona, Frances Davis, Sarah Ferriss, Harriet Gillett and Rebecca Price were appointed as rapporteurs.

1.4 Review of documents

The list of available documents is given as Appendix 1. All documents were available on the IWC website.

1.5 Observer participation

The BSC Chair noted that Rules of Procedure C.2 and C.3 and Rules of Debate Paragraph A apply. A list of participants, including Observers is given as Appendix 2.

2. ADOPTION OF AGENDA

The adopted Agenda is given as Appendix 3.

3. AUDITED FINANCIAL STATEMENTS FOR PREVIOUS FINANCIAL YEARS

Four sets of accounts have been produced since the Commission last met in September 2018. All sets of statements (see documents IWC/68/6.1/01, IWC/68/6.1/02, IWC/68/6.1/03, IWC/68/6.1/04) have been audited and received an unqualified opinion. The IWC's financial year is January-December.

3.1 Audited accounts for financial year ending 31 December 2018, 2019, and 2020

3.1.1 Introduction by the Executive Secretary

The Executive Secretary (Dr Rebecca Lent) presented documents IWC/68/6.1/01, IWC/68/6.1/02 and IWC/68/6.1/03 showing the financial statements from 2018, 2019 and 2020. Balanced budgets were set and achieved in both the 2018 and 2019 financial years. A £68,222 surplus budget was set for the 2020 financial year; the actual result was a deficit of £11,867. This variance was principally due to financial contribution invoices being cancelled following item F.5 of the Rules of Procedure, and additional provision for bad debt due to non-payment of financial contributions. The Voluntary Contribution Funds received a total of £728,155 across all three years, most of which was donated to the Aboriginal Subsistence Whaling Fund and the Conservation Fund.

3.2 Audited accounts for the financial year ending 31 December 2021

3.2.1 Introduction by the Executive Secretary

The Executive Secretary presented IWC/68/6.1/04 showing the financial statement from 2021. A £6,300 surplus budget was set and a breakeven position was achieved, with the variance being attributed to numerous small differences. The Voluntary Contribution Funds received a total of £161,376 in 2021, most of which was donated to the Conservation Fund.

3.3 Sub-Committee discussion and recommendations

The Sub-Committee asks that the Finance and Administration Committee recommend the Commission to adopt the audited accounts for financial years ending 31 December 2018, 2019, 2020 and 2021 (IWC/68/6.1/01, IWC/68/6.1/02, IWC/68/6.1/03, IWC/68/6.1/04), noting that the auditor had confirmed that they represent a 'true and fair view' of the Commission's financial position.

4. FORECAST OUTTURN POSITION 2022

The forecast outturn is an estimate of the financial position at the end of the current year based upon income and expenditure to date and expected activity for the rest of the year. This agenda item gave an opportunity for the Sub-Committee to comment upon the forecast outturn in accordance with Financial Regulation D1.a.

4.1 Introduction by Secretary for the 2022 financial year forecast outturn

The Executive Secretary introduced document BSC/68/4.1/01, indicating that a balanced budget was set for 2022, which included using £282,000 from the Meeting Fund Reserve. She noted that the final position for the year was expected to be a deficit of around £11,000, highlighting that the Commission had been experiencing financial pressure for some years, with 2022 being no exception, citing the cumulative effect of increasing UK inflation alongside frozen financial contributions. She stated that the Secretariat continued to mitigate any possible overspend by strengthening financial procedures; reviewing contracts with a view to switching providers or cancelling services; and minimising office energy usage. She noted that the non-payment of financial contribution invoices represented a significant challenge, necessitating an increase in the provision for bad debts and in the amount of financial contribution invoices that were required to be cancelled to abide by Financial Regulation F.5.

4.2 Secretary's report on financial contributions and voting status

The Executive Secretary introduced document BSC/68/4.2/01 regarding financial contributions and voting status from the 2018 financial year to the 2022 financial year to date. She noted that since the document was written on 18 August 2022 a further five Contracting Governments had paid their contributions, meaning that 55 out of 88 Contracting Governments had voting rights, and that document BSC/68/4.2/01 would be

revised daily during the Plenary meeting to reflect updated voting positions. She indicated that usually the levels of arrears is lower in years when the Commission meets, and although the current situation has improved slightly it is still a concern. She noted that the Secretariat had taken steps to increase communications with Contracting Governments relating to contributions, including providing detailed financial information.

4.3 Sub-Committee discussions and action arising

The Sub-Committee asks that the Finance and Administration Committee recommend the Commission note the expected small deficit for the 2022 financial year.

5. REVIEW OF PROPOSED BUDGET

An important function for the BSC is to make recommendations on the Commission's future budget to the Finance and Administration Committee.

The BSC Chair had developed a balanced budget proposal for the 2023-24 biennium, in consultation with the Secretariat's Head of Finance. The proposal includes three options for balancing the budget which have been reviewed and supported by the Bureau.

5.1 Introduction by the BSC Chair of the overall budget situation and context

The BSC Chair noted that under status quo budgeting, the Commission's expenditure in the 2023 and 2024 financial years will exceed its income by around £622,000.

Savings from delayed in-person meetings during the pandemic – around £258,000 – could be used to address part of this difference, meaning the Commission would be facing a total financial deficit of around £364,000 over the next two years.

The Commission is in this position due to a long history of adopting deficit budgets, member contributions not increasing for over a decade, and the Commission's costs increasing every year due to inflation.

The BSC Chair noted that the cash-flow situation is now critical, and if not addressed at IWC68, the Commission would deplete its cash reserves before the end of 2025; but in reality could become insolvent before its next meeting in 2024 if cash flow did not improve. Should the Commission's income have kept pace with inflation, it would have meant a more secure position for the General Fund, more support for Commission priorities and research work, and less need to make significant savings at this point.

5.2 Report of the Scientific Committee's prior year spending and future workplan

The SC Chair, Alex Zerbini, introduced the proposed workplan BSC/68/5.2/01. He noted that due to Covid-19 many projects had been postponed. As of 31 July 2022, the research fund had a balance of £648,124, of this, £108,684 would be returned to the Commission to reduce the overall deficit. He indicated that the costs associated with the SC's proposed research programme in 2023-24 amounted to £229,626 in 2023 and £227,796 in 2024.

5.3 BSC Chair's presentation of proposed budget for 1 January 2023 to 31 December 2024

The BSC Chair introduced BSC/68/5.3/01, the 2023/24 *Balanced Budget Proposal*.

The BSC Chair outlined the consultation process undertaken by the BSC during the intersessional period, including convening two informal budget discussion groups, and consultation with the Secretariat and the SC Chair and Vice Chair to identify where savings could be found within their budget streams, to understand the likely impacts of those savings, and discuss mitigation and transition strategies should the Commission choose to pursue those savings. The BSC Chair also outlined the direct consultation undertaken with the broader Commission membership which included a presentation to the 2021 Virtual Special Meeting of the

Commission, reporting to Bureau meetings, and presenting at meetings of the WG-OE which is open to all Commission members and observers to participate in.

The BSC Chair presented three proposed options that have been developed based on the consultation, for the Commission to consider to balance its budget: 1) to address the deficit entirely through savings; 2) is a combination of savings and increasing member contributions; or 3) to address the deficit entirely by increasing member contributions. The BSC Chair noted that all options would establish a new baseline budget, with some additional adjustments required in 2025 once all the pandemic savings have been exhausted.

The BSC Chair noted that if Option 1 or 2 were agreed, the Commission would need to adjust its expectations of the Secretariat and Scientific Committee to some extent.

The BSC Chair and Australian delegation were thanked for their leadership in preparing the budget options.

The USA, supported by Brazil, the Netherlands, New Zealand, Switzerland and the UK considered Option 2 to be a reasonable compromise.

Argentina expressed their support for Option 2 as a balanced alternative that considers the financial situation of the Commission as well as the challenges imposed by the pandemic to Member States.

The USA said it could not support a deficit budget and supported the SC meetings becoming biennial.

Brazil, Switzerland and the UK emphasised the importance of the role of the SC and considered Option 3 to be ideal but thought Option 2 was a fair compromise. Switzerland expressed concerns that the shift to biennial meetings of the SC might cause difficulties with regard to ASW advice. Argentina and the Netherlands, while supporting Option 2, also expressed concern at weakening the work of the SC.

New Zealand noted the financial impact on member governments resulting from the pandemic, and considered it was not reasonable to ask for an increase in contributions without targeted expenditure reductions, and therefore supported Option 2. The UK supported Option 3 but recognised the financial pressures and could therefore also support Option 2.

Mexico said it had not made a final decision but was concerned at the suggestion to reduce the work of the SC and asked the SC Chair to explain the impact of a budget reduction. The SC Chair confirmed that a reduction in budget would impact the level of advice the SC could provide to the Commission, especially concerning ASW hunts, and that it would need to revisit the schedule currently set for such advice and to receive instruction from the Commission regarding work priorities. The previous SC Chair suggested that if SC meetings were held biennially, they should be held in even years to align with the requirements of the Schedule for ASW advice.

Italy supported Option 1, citing concerns about rises in contribution levels year-on-year, but also expressed that it would not support further reduction of the SC budget.

5.3.1 Discussion of recommendations with financial, human, or other resource implications.

The Secretariat's Head of Finance and Administration presented early draft costings for the three proposed resolutions and the one schedule amendment received for consideration at IWC68. These draft figures have been produced by the Secretariat and reflect estimated short-term (2 year) costs to the Secretariat. Consultation will be undertaken with proponents to revise the figures ahead of the Finance and Administration Committee meeting.

The BSC Chair noted that these implementation costs are not currently reflected in the balanced budget proposal.

5.4 BSC Chair's introduction to the Budget Reform Strategy document

The BSC Chair introduced document FA/68/4.1.2/01, noting that it was for information only as the Working Group on Operational Effectiveness (WG-OE) had met the previous day. The BSC Chair noted that the Budget Reform Strategy had been developed as part of the package of reforms proposed by the WG-OE to address the budget-related recommendations from the independent Governance Review. The purpose of the Strategy is to bring the financial management of the Commission into line with international best practice and ensure that once a balanced budget is set at IWC68, the Commission does not end up in an adverse financial situation again.

The key principles of the Strategy include agreement that the Commission should only adopt balanced budgets going forwards, and a move to zero-based budgeting, so that budgets are built on the needs of the Commission for each biennium, rather than rolling forward previous budgets. It also includes planning over a 4-year period rather than a 2-year period so that at each Commission meeting the Commission would adopt a budget for the next biennium and consider an early draft budget for the following biennium, which could be updated before being agreed at the following meeting. The BSC Chair noted that this Strategy had been through several rounds of consultation as part of the WG-OE process and had generally been well received.

Italy welcomed the Strategy, reiterating the need to carefully balance income and expenditure to avoid overspend, and provided an editorial suggestion to the annexed costing templates. The BSC Chair noted that refinements to the templates would be possible as they are rolled out.

5.5 Recommendations for NGO, Observer and Media fees.

The BSC Chair introduced document BSC/68/5.5/01, which suggests the usual inflationary increase to observer, NGO and media fees for future meetings, as had been adopted at past Commission meetings.

5.6 Sub-Committee discussions, actions arising and recommendation of a preferred budget option.

The Sub-Committee asks that the Finance and Administration Committee recommend the Commission adopt Option 2 for the 2023-2024 biennium budget as set out in document BSC/68/5.3/01, and adopt the increase to NGO, observer and media fees for future meetings as set out in document BSC/68/5.5/01.

6. BUDGETARY SUB-COMMITTEE MEMBERSHIP

Membership of the BSC is through rotation of Contracting Governments. Two seats are allocated to Contracting Governments in each capacity to pay group, and Governments serve for four years with membership then passing on in alphabetical order.

6.1 BSC leadership roles

The BSC Chair introduced document BSC/68/6.1/01 (*Future Membership of the Budgetary Sub-Committee*), which contains a list of current and future BSC members. He noted that a number of seats had been extended beyond the usual four-year term due to Covid-19 and that there was a need for several new members in the group.

6.2 Confirm any outgoing and continued membership

The BSC supported Australia remaining as BSC Chair of the Sub-Committee for the next biennium to support the implementation of the proposals adopted at IWC68 and any additional adjustments needed to be brought to IWC69.

The BSC Chair thanked Martin Krebs (Switzerland) who had served as BSC Vice-Chair for the last four years, and noted that since his term was coming to an end, the position of BSC Vice-Chair is now vacant.

6.3 Discussion of engagement and participation

There were no further comments on the proposed future membership of the BSC and no nominations for the role of BSC Vice-Chair. The BSC confirmed its future membership as outlined in document BSC/68/6.1/01, with the exception of the role of the BSC Vice-Chair. The BSC Chair proposed that the BSC refer the role of BSC Vice-Chair to the Commission as a vacant position.

7. SUMMARY OF RECOMMENDATIONS TO THE F&A COMMITTEE

The BSC recommends to the F&A Committee that:

- The 2018, 2019, 2020 and 2021 accounts are adopted as a true and fair view of the financial position.
- The 2022 financial position is noted with a small deficit.
- Option 2 is recommended for the 2023-2024 budget as set out in document BSC/68/5.3/01.
- NGO, observer and media fees for future meetings are set as laid out in document BSC/68/5.5/01.
- Australia (Adam Clark) continues as BSC Chair of the BSC.
- The role of BSC Vice-Chair be referred to the Commission as a vacant position.

8. ADOPTION OF REPORT

The report was adopted by correspondence. The report was adopted at 17:00 on 15 October 2022.

Appendix 1

LIST OF DOCUMENTS

IWC/68/BSC/02/01	BSC Provisional Agenda
IWC/68/BSC/6.1/01	Financial Statements for the 12 months to 31 December 2018
IWC/68/BSC/6.1/02	Financial Statements for the 12 months to 31 December 2019
IWC/68/BSC/6.1/03	Financial Statements for the 12 months to 31 December 2020
IWC/68/BSC/6.1/04	Financial Statements for the 12 months to 31 December 2021
IWC/68/BSC/6.1/05	Commentary on the 2018, 2019 and 2020 Commission Accounts
IWC/68/BSC/6.1/06	Commentary on the 2021 Commission Accounts
IWC/68/BSC/4.1/01	2022 Financial Year Forecast Outturn
IWC/68/BSC/4.2/01	Report on Financial Contributions & Voting Status
IWC/68/BSC/5.2/01	Scientific Committee's Prior Year Spending and Future Work Plan
IWC/68/BSC/5.3/01	2023/24 Balanced Budget Proposal
IWC/68/BSC/4.1.2/01	Budget Reform Strategy
IWC/68/BSC/5.5/01	Level of Press and Observer fees for 2023-2024
IWC/68/BSC/6.1/01	Future Membership of the Budgetary Sub-Committee
The following documents were also available:	
IWC/68/6.1/01	Financial Statements for the 12 months to 31 December 2018
IWC/68/6.1/02	Financial Statements for the 12 months to 31 December 2019
IWC/68/6.1/03	Financial Statements for the 12 months to 31 December 2020
IWC/68/6.1/05/EN FR ES	Commentary on the 2018, 2019 and 2020 Commission Accounts
IWC/68/6.1/04	Financial Statements for the 12 months to 31 December 2021
IWC/68/6.1/06/EN FR ES	Commentary on the 2021 Commission Accounts
FA/68/4.1.2/01/EN FR ES	Budget Reform Strategy

Appendix 2

LIST OF PARTICIPANTS

ARGENTINA

Miguel Iñíguez Bessega
Lucia Scheinkman

AUSTRALIA

Michael Double
Nick Gales
Alexia Wellbelove
Adam Clark
Annie Robinson
Belinda Jago

AUSTRIA

Michael Stachowitsch
Andrea Nouak

BELGIUM

Jens Warrie

BRAZIL

Ricardo Leal
Alexandre Zerbini

CZECH REPUBLIC

Barbora Křížová
Jiri Mach
Barbora Chmelova

DENMARK

Lars Thstrup
Amalie Jessen

LAO, PEOPLE'S DEMOCRATIC REPUBLIC

Akhane Phomsouvanh

FRANCE

Vincent Ridoux
Nabil Medaghri Alaoui

GERMANY

Nicole Hielscher

ITALY

Caterina Fortuna

MEXICO

Lorenzo Rojas-Bracho

SLOVENIA

Branka Tavzes

NEW ZEALAND

Jan Henderson
Tom Butler

NORWAY

Kathrine A. Ryeng
Petter Meier

PANAMA

Lisette Trejos-Lasso

PORTUGAL

Luís Freitas

NETHERLANDS

Anne-Marie Svoboda

UK

Cat Bell
Lucy Babey
Mark Peter Simmonds
Sue Fisher
Lindsay Porter
James Smith

USA

Ryan Wulff
Alisha Falberg
Elizabeth Phelps
Madison Harris
Mahvish Madad
Taryn Kiekow Heimer
Robert Suydam
David Weller
Brian Gruber
Mi Ae Kim

SCIENTIFIC COMMITTEE

Alex Zerbini (Chair)
Lindsay Porter (Vice-Chair)

NON-MEMBER GOVERNMENT

Japan

Joji Morishita

NON-GOVERNMENTAL ORGANISATIONS

Alaska Eskimo Whaling Commission

Herbert Kinneeveauk III
Nicole Wojciechow

Kayla Scheimreif
George Kaleak, Sr.
Earl Comstock
John Hopson, Jr.
Lesley Hopson

Ambassade des Océans

Quentin Hoerner

Animal Welfare Institute (AWI)

Seren Irwin
Kate O'Connell

Biodiversity Action Network East Asia

Yasuhiro Sanada

Cetacean Society International

Heather Rockwell

Dolphin and Whale Action Network

Nanami Kurasawa

Environmental Investigation Agency

Jennifer Lonsdale

Fundación Cethus

Carolina Cassani

Global Guardian Trust

Toshikazu Nohara
Teruaki Aizawa

International Fund for Animal Welfare (IFAW)

Matthew Collis

Pro Wildlife

Sandra Altherr

Robin des Bois

Emilie Courtin

Wewhale Association

Janek Andre

Whale and Dolphin Conservation

Katrin Matthes
Edward Goodall

Whales Alive

Mick McIntyre
Piripi McIntyre Clere

WWF International

Colman O Criodain

IWC Secretariat

Rebecca Lent

Nikki Bartmeier
Elizabeth Campbell
Moussa Ki Sow
David Mattila
Emma Neave-Webb
Cecilia Passadore
Iain Staniland
Mark Tandy
Imogen Webster
Kate Wilson

Appendix 3

AGENDA

1. INTRODUCTORY ITEMS

- 1.1 Appointment of Chair
- 1.2 Appointment of Vice-Chair
- 1.2 Appointment of rapporteurs
- 1.3 Review of documents
- 1.4 Observer participation

2. ADOPTION OF AGENDA

3. AUDITED FINANCIAL STATEMENTS FOR PREVIOUS FINANCIAL YEARS

- 3.1 Audited accounts for the financial year ending 31 December 2018, 2019, and 2020
 - 3.1.1 Introduction by the Executive Secretary
- 3.2 Audited accounts for the financial year ending 31 December 2021
 - 3.2.1 Introduction by the Executive
- 3.3 Committee discussion and recommendations

4. FORECAST OUTTURN POSITION 2022

- 4.1 Introduction by the Executive Secretary for the 2022 financial year forecast outturn.
- 4.2 Secretary's report on financial contributions and voting status.
- 4.3 Committee discussions and actions arising

5. REVIEW OF PROPOSED BUDGET

- 5.1 Introduction by the BSC Chair of the overall budget situation and context.
- 5.2 Report of the Scientific Committee's prior year spending, and future workplan.
- 5.3 BSC Chair's presentation of proposed budget for 1 January 2023 to 31 December 2024.
 - 5.3.1 Discussion of recommendations with financial, human, or other resource implications.
- 5.4 BSC Chair's introduction to the Budget Reform Strategy document.
- 5.5 Recommendations for NGO, Observer & Media fees.
- 5.6 Committee discussions, actions arising and recommendation of a preferred budget option

6. BUDGETARY SUB-COMMITTEE MEMBERSHIP

- 6.1 BSC leadership roles
- 6.2 Confirm any outgoing and continued membership
- 6.3 Discussion of engagement and participation

7. SUMMARY OF RECOMMENDATIONS TO THE F&A COMMITTEE

8. ADOPTION OF REPORT