

# Report of the Budgetary Sub-Committee

Monday 25 June 2012, Panama City, Panama

## 1. INTRODUCTORY ITEMS

### 1.1 Appointment of Chair

Martin Krebs (Switzerland) was appointed Chair.

### 1.2 Appointment of Vice Chair

Elizabeth Phelps (USA) was appointed Vice-Chair.

### 1.3 Appointment of rapporteurs

Simon Brockington (Secretariat) was appointed rapporteur.

### 1.4 Review of documents

The list of documents is given as Appendix 2.

## 2. ADOPTION OF AGENDA

The adopted agenda is given as Appendix 3.

## 3. AUDITED FINANCIAL STATEMENTS FOR THE PREVIOUS FINANCIAL YEAR (2010-2011)

The Secretary introduced the audited accounts for 2010-2011 (IWC/64/5). These had previously been emailed to all Commissioners by the auditors, and had been placed on the Commission's website in accordance with the changes to the Rules of Procedure agreed at IWC/63 in 2011.

Japan enquired as to the maximum term of appointment for the auditor. The Secretary responded that currently there is no maximum term, and Japan suggested that it would be appropriate to introduce a fixed term of appointment. The Secretary proposed that a standing agenda item be included on the Budgetary Sub-committee's (BSC) agenda which stated the number of years the auditor had served, and requested the Commission's agreement to re-appoint. The UK supported this proposal, but noted that the maximum term served by the auditor should allow the Commission to move to a biennial pattern of working.

The USA commended the Secretariat on the presentation of the accounts, and in particular the illustrations of the income, expenditure and balances on the voluntary funds.

## 4. PROVISIONAL FINANCIAL STATEMENT 2011-2012

The Secretary introduced the provisional financial statement for the current financial year (IWC/64/6). The key points contained in the statement were that:

- 1) Total income will exceed budget by £448k due to large receipts of voluntary contributions. Other income is expected to be broadly in line with budget although a decrease in income from Contracting Government contributions of £28k is expected because of fourth year contributions being cancelled for four members<sup>1</sup>
- 2) Expenditure is projected to be above budget by £680k due to significant work being undertaken with funding from voluntary contributions. Most core expenditure is expected to be in line with budget, however there is a net reduction in Secretariat costs of around £20k. Also Research Fund expenditure is below budget as limited by operational delays.

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<sup>1</sup> Reanalysis of the number of countries with outstanding debts after the conclusion of the BSC meeting indicates that the number of countries with contributions to be cancelled under Rule is five rather than four. This will bring the total payments to be cancelled to £40,000 as opposed to £28,000 as stated in the original version of IWC/64/6.

- 3) Provisions are expected to be over budget for both doubtful debts and for severance pay. Countries with only debts for 2011-12 outstanding have for the most part been assumed to pay in the current financial year, but this treatment may be optimistic. Severance pay provision is above budget due to a timing difference in accounting for staff leaving the Secretariat.
- 4) The result for the year is a projected deficit of £250k before transfers between funds and a projected deficit of £18k after transfers<sup>2</sup>. This means that the balance on the General Fund is projected to be at about £936k at the end of the current financial year (the 31 August 2012). This represents about 99% of the target level (6 months expenditure: £1,880k x 50%). However this analysis depends on all countries who paid their financial contributions in the 2010/11 financial year continuing to do so in the 2011/12 financial year.

There were no discussions on the provisional financial statement, and the BSC **agreed** to recommend the provisional financial statement to the Commission subject to audit after the close of the financial year.

The BSC commended the Secretariat on its prudent and diligent conduct of business on financial affairs.

#### **4.1 Secretary's report on collection of outstanding financial contributions**

The Secretary introduced document IWC/64/BSC 3 which indicated the measures taken by the Secretariat since IWC/63 in 2011 to recover unpaid financial contributions. The Secretariat had made regular enquiries to all countries with outstanding debts which included re-issuing of invoices, frequent reminders and direct contact to Embassies and High Commissions of debtor countries in the United Kingdom.

New Zealand indicated its support for any further measures by the Secretariat to recover the outstanding contributions. The UK recalled that several measures are employed in other Conventions, including (1) the suspension of voting rights; (2) a restriction on being able to hold Commission offices and (3) the establishment of a repayment system.

The Chair noted that the Commission already has a provision for Contracting Governments with outstanding debts to enter into a repayment schedule<sup>3</sup> which allows the sanctions against a Contracting Government to be lifted if it makes a payment of 2 years outstanding contributions and provides an undertaking to pay the balance of arrears and the interest within a further two years. The Secretary suggested that given the large size of some outstanding debts that it may be inappropriate to expect that these could be cleared within two years, and suggested a further review of this regulation. Japan indicated that Contracting Governments should be encouraged to pay at least part, if not all, of their contributions and suggested that it would be appropriate to review the financial regulations ahead of the next meeting to see if this could be achieved. The Secretary confirmed he would provide a review of the IWC's financial regulations, and in particular regulation F.5.(e) to outline any measures that could be taken.

### **5. REVIEW OF FUTURE BUDGETS AND RESEARCH EXPENDITURE**

The Secretary introduced the proposed budget for 2012-2013, including an indicate forecast budget for 2013-2014, and a proposed budget for 2012-14 (IWC/64/7). Two options had been proposed, the first allowing a continuation of the current system of annual meetings and a second option to allow for an immediate transition to a biennial (every 2 years) meeting cycle.

The Chair noted that although the cost of a Commission meeting in 2013 had been removed from the second budget scenario the savings to Contracting Governments were smaller than had been anticipated. He noted that the true savings would arise from reduced costs to Contracting Governments in attending meetings, and from a reduction to the workload upon the Secretariat.

New Zealand noted that the budget proposed for the following financial year did not include any increase in expenditure, but that contributions from Contracting Governments were nonetheless expected to rise largely due to the increase in unpaid contributions. It asked whether any further reductions in expenditure could be made in order to prevent a rise in financial contributions from Contracting Governments. In response, the Secretary noted that

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<sup>2</sup> The deficit was due to a contribution to the severance pay fund from retiring members of staff being received in the previous financial year

<sup>3</sup> This provision is contained within Financial Regulation F.5.(e).

several cuts to expenditure had already been proposed through the budget, including the release of an expensive rental contract on a high volume photocopier, a reduction in printing and postage charges and a decrease relative to 2011/2012 in the meeting and research budgets. The UK noted that the lease on the Secretariat's premises was due to expire in 2014, and encouraged the Secretariat to ensure any new lease was cost effective. The Secretary indicated his intention to review the rental arrangements on the Red House at the time of the lease break, and if necessary move premises within the local Cambridge area in order to ensure office rental costs were as competitive as possible. New Zealand and Japan stated the importance of the research budget, and proposed that it should not be further reduced.

Responding to these concerns, the Chair of the Scientific Committee introduced the Committee's proposed research expenditure for the 2012/2013 financial year. The total amount requested by the Committee was £337,484. However the Committee had taken account of the proposed budget and also suggested a reduced research programme of £315,000 which it had developed by taking account of its future work plan, priorities, and the possibility that some of the work requiring funding could be postponed. Japan, the USA and the UK indicated their support for the full total requested by the Scientific Committee, but also indicated they would also support the reduced proposal in order to fit to the funds available. In response to a question from the USA, the Chair of the Scientific Committee confirmed it had also developed a two year work plan as would be required to support a move to biennial meetings. Around £ 225,000 of the funding required by this work plan was made up of recurring items including the costs of Invited Participants, the SOWER cruise contribution and the costs of statistical and computing analysis. The USA suggested it should be possible to set a fixed research budget for two years, and to allow the scientific committee to modify the allocation to projects within the pre-set total according to its progress after the first year.

Following this discussion, the BSC **agreed** to recommend budget options 1 and 2 to the Finance and Administration Committee for further deliberations.

The Secretary then introduced IWC/64/BSC 6 which proposed the level of press and observer fees for 2012/2013. The UK enquired whether the level of fees reflected the costs of admitting observers, and the Secretary responded that the present fee system had been developed following discussions at IWC/59 in 2007. The fees were originally set to cover the costs of the larger meeting venue which was required to accommodate observers (as well as the other expenses involved in administering observers), and had been increased with inflation since that time.

The BSC **agreed** to recommend inflation based increases to the observer fee to £565 for the first observer and £280 for each additional observer if the next meeting is to be held in 2013, and to £580 for the first observer and £285 for each additional observer if the meeting is to be held in 2014.

The BSC also **agreed** to raise the press fee to £75 if the next meeting is held in 2013 and to £80 if the meeting is held in 2014.

The Chair noted a concern from the host government of IWC/64 regarding the charging of press fees to local media organisations. A number of members of the BSC expressed their desire to find a solution, and suggested it should be possible to ask the Secretary to make an arrangement for local media access in consultation with the host government. However it was also noted that the Commission had endorsed the setting of the fee for all media representatives at its last meeting. Consequently, the BSC **agreed** that this issue should be brought before Commissioners at the Private Meeting scheduled for 1 July.

## 6. TIMING OF THE COMMISSION'S FINANCIAL YEAR

The Secretary introduced IWC/64/BSC 4 which noted that the separation of the timing of the Scientific Committee and Commission meetings agreed at IW/63 in 2011 would mean that in following years the Commission would meet in mid-September to mid-October, instead of in June/July as presently. The Commission's financial year runs from 1 September to 31 August, and so this change in timing would mean that the Commission would be required to approve a budget for a financial year that had already started.

Japan, the UK and the USA all stated that the Commission should agree a budget in advance of the start of a financial year. Accordingly, the BSC **agreed** that the Commission should change the dates of its financial year to coincide with the calendar year 1 January to 31 December. However the BSC also noted that the transitional

financial year would be for a period of 16 months instead of 12, and this would cause a one off 33% rise in contributions. The BSC recognised that many Contracting Governments would encounter difficulties in paying an increased one off charge of this amount.

Japan recalled that a few years ago the Inter-American Tropical Tuna Commission (IATTC) had changed their financial year, and suggested that the Secretariat establish contact with IATTC so as to understand the process they had used. Japan stated that the transition should be managed by providing a series of options to Contracting Governments who could individually choose how they wished to pay the additional four months of financial contributions. These options could include (1) paying the additional four months charge as a single extra payment or (2) spreading the cost of the additional four months charge over a series of future years so that the bridging charge could be paid in stages. The USA noted that it would also be necessary to make the due date for financial contributions later in the year, because the current deadline of 28 February would be too soon after invoices were issued. The USA also noted that the due date should still be prior to the meeting of the Scientific Committee. The Secretary **agreed** to contact the IATTC and to provide a process for changing the Commission's financial year to the next meeting of the BSC which would take account of all the points raised.

The BSC also noted that the budget it had agreed to recommend to the F&A Committee would expire on either 31 August 2013 or 2014. Therefore regardless of whether the next Commission meeting was in September/October 2013 or 2014 there would be a two month period of time where the Secretariat would be required to operate in the absence of a pre-agreed budget. In light of this timing the BSC noted that a decision was required at IWC/64 on how the Secretariat should work during period after the end of the agreed budget period and prior to the Commission meeting. After discussion, the Chair of the BSC proposed that for these two months the Secretariat should continue to operate at a level of expenditure consistent with the previous financial year on a business as usual scenario and that the funds required to operate in this way be drawn from the Commission's reserve. The Chair stressed that there should be no new expenditure during this period, until such time as the Commission had the opportunity to approve the next budget. The Chair also noted that when the Commission did meet, it would have before it a range of options for changing the financial year and thus resolving this issue. The BSC **agreed** to recommend the Chair's suggested approach to the F&A Committee.

## **7. BUDGETARY SUB-COMMITTEE OPERATIONS**

### **7.1 Membership and open seats**

The Secretary introduced IWC/64/BSC 7 which proposed the future membership of the BSC. The Chair noted the absence of the Group 1 countries from the meeting and discussed options, including holding the BSC later in the sub-committee week to facilitate their attendance. Japan recognised the work being undertaken through the working group on providing assistance to member governments with limited means to participate in the Commission's work, and expressed the desire that this actions arising from this group may be able to assist these countries in attending. Japan also suggested that if the named BSC members could not participate they should be able to nominate other countries in the same group to attend on their behalf.

The Chair agreed with these suggestions, and indicated that he would approach volunteers to take up the BSC open seats during the course of IWC/64.

## **8. OTHER**

The Chair noted that the use of the interim formula for calculating the contributions required from Contracting Governments was introduced in 2002. Noting that a number of refinements had taken place since 2002 and that the formula was now widely accepted, the Chair proposed that the formula be adopted and the word 'interim' removed from its title. The BSC **agreed** with this suggestion.

## **9. SUMMARY OF RECOMMENDATIONS TO THE F&A COMMITTEE**

The Budgetary Sub-committee agreed the following recommendations to the Finance and Administration Committee:

- 1 That the F&A Committee take note of the Provisional Financial Statement for the current year (2011-2012) and approve it subject to audit.
- 2 That the F&A Committee approve the new level for the NGO Observer and Media fees for 2012-2013
- 3 That the F&A Committee agree and endorse the budget as presented in IWC/64/7, with a choice of Option 1 or 2 to be determined according to the possibility of a move to biennial meetings.
- 4 A recommendation that the Commission change its financial year from 1 September - 31 August to 1 January – 31 December. The BSC also agreed that the Secretary will provide a series of options for allowing individual Contracting Governments to pay the charge associated with the four month bridging period, and that this should include the option to spread the charge over a series of future years.
- 5 A recommendation that the Secretary should continue to operate the Commission's finances at a level of expenditure consistent with the previous financial year during the two month period arising in either 2013 or 2014 after the end of the agreed budget period and prior to the next Commission meeting.
- 6 That the F&A Committee agree to adopt the interim contributions formula, and that the word 'interim' be removed from its name.

In addition, the BSC agreed that:

- 7 A standing agenda item will be added to the BSC agenda to report the length of time served by the Commission's auditor, and to re-confirm their appointment for the following annual or biennial period as appropriate.
- 8 The Secretary will present a review of the Financial Regulations to the next BSC meeting outlining any additional measures can be taken to assist Contracting Governments in arrears of payments to pay their outstanding dues.

## **10. ADOPTION OF REPORT**

The report was adopted by correspondence on 27 June 2012.

**Appendix 1**

**LIST OF PARTICIPANTS**

**Argentina**

Victor Marzari  
Miguel Iniguez

**Australia**

Michelle Evans

**Austria**

Andrea Nouak

**Chile**

Barbara Galletti

**Costa Rica**

Eugenia Arguedas  
Ricardo Meneses

**Denmark**

Gitte Hundahl  
Ole Samsing  
Amalie Jessen

**Ecuador**

Gustavo Iturralde

**Germany**

Lutz Friedrichsen

**Iceland**

Asta Einarsdottir

**Japan**

Toshihide Kitakado  
Tomio Miyashita  
Takaaki Sakamoto

**New Zealand**

Karena Lyons

**Russian Federation**

Valentin Ilyashenko  
Olga Etylina

**St. Lucia**

Jeannine Compton-Antoine

**Switzerland**

Martin Krebs (Chair)

**UK**

Nicola Clarke  
James Gray  
Jenny Lonsdale  
Anju Sharda  
Jolyon Thomson

**USA**

Ryan Wulff  
Robert Brownell  
Lisa Phelps

**Chair of SC**

Debra Palka

**IWC Secretariat**

Simon Brockington  
Cherry Allison

**Appendix 2**

**LIST OF DOCUMENTS**

IWC/64/BSC 1	Provisional Agenda
IWC/64/BSC 2	List of Documents
IWC/64/BSC 3	Unpaid Financial Contributions (Secretariat)
IWC/64/BSC 4	Options for agreeing a budget in the situation where the Commission meets after the start of the financial year (Secretariat)
IWC/64/BSC 5	Breakdown of proposed expenditure under the 2012/13 research budget (Scientific Committee)
IWC/64/BSC 6	Level of press and observer fees for 2012/13 (Secretariat)
IWC/64/BSC 7	Membership of the Budgetary Sub-committee (Secretariat)
IWC/64/BSC 8	Scientific Committee Invited Participants 2012

**Relevant Commission Documents:**

- IWC/64/5 Audited Financial Statement for the year ended 31 August 2011
- IWC/64/6 Provisional Financial Statement for the year ended 31 August 2012
- IWC/64/7 Draft budget options for the single financial years 2012-13 and 2013-14, and for the two year period 2012-2014 in case of a move to biennial meetings

### Appendix 3

#### AGENDA

1. INTRODUCTORY ITEMS
  - 1.1 Appointment of Chair
  - 1.2 Appointment of Vice Chair
  - 1.3 Appointment of rapporteurs
  - 1.4 Review of documents
2. ADOPTION OF AGENDA
3. AUDITED FINANCIAL STATEMENTS FOR THE PREVIOUS FINANCIAL YEAR (2010-2011)
4. PROVISIONAL FINANCIAL STATEMENT 2011-2012
  - 4.1 Collection of Financial Contributions
5. REVIEW OF FUTURE BUDGETS AND RESEARCH EXPENDITURE
6. TIMING OF THE COMMISSION'S FINANCIAL YEAR
7. BUDGETARY SUB-COMMITTEE OPERATIONS
  - 7.1 Membership and open seats
8. OTHER
9. SUMMARY OF RECOMMENDATIONS TO THE F&A COMMITTEE  
These to include:
  - 9.1 A recommendation in regard to the Provisional Financial Statement for the current year (2011- 2012)
  - 9.2 A recommendation in regard of the level for the NGO, Observer and Media fees for 2012-2013
  - 9.3 A recommendation in regard to options for the proposed budgets for both 2012-2014 and for 2012-2013
  - 9.4 A possible recommendation in regards to the timing of the Commission's financial year
10. ADOPTION OF REPORT

#### TERMS OF REFERENCE

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*). It first met at IWC 52 in 2000.

#### ADMISSION OF OBSERVERS

##### *Rule of Procedure C.2*

Observers accredited in accordance with Rule [of procedure] C.1.(a) and (b) are admitted to all meetings of the Commission and Technical Committee, and to any meetings of subsidiary groups of the Commission and Technical Committee, **except the Commissioners-only meetings and the meetings of the Finance and Administration Committee.**

Since the Budgetary Sub-Committee supports the work of, and considers matters relevant to, the Finance and Administration Committee observers are not admitted.

##### Contracting Governments as Observers to the Budgetary Sub-committee

- Contributing countries who are not members of the BSC can attend as observers
- Non BSC members do not receive documents intersessionally but all documents are available to observers at the meeting itself
- Observers are not eligible for appointment as Chair or Vice-Chair
- The Chair has discretion to invite comments from observers