

INTERSESSIONAL CORRESPONDENCE GROUP ON STRENGTHENING IWC FINANCING

Proposals made by the ICG on Strengthening IWC Financing (ICGSF), submitted by the UK, Australia, Costa Rica, Ecuador, France, Germany, Monaco, USA.

Introduction & Background

The ICG on strengthening IWC funding (ICGSF) was established at IWC/62 to develop proposals for strengthening the financing of conservation work, with a view to striking a balance between funding for conservation and funding for management of whaling. The key and common purpose of such work is to support the rebuilding and maintenance of healthy whale populations. IWC/63 approved updated and strengthened terms of reference. These were:

1. Continue work on Terms of Reference 1 and 2 of the previous ICG, which were: (1) to examine ways on how to integrate conservation funding into the overall budget; and (2) to consider both core and voluntary funding
2. Consider the establishment of a Trust Fund for conservation and management to receive any external money secured
3. Develop a reporting mechanism for new funding
4. Propose eligibility criteria to allocate funding to projects
5. Further define the relationships between the Scientific Committee and the Conservation Committee in relation to funding
6. Draft a profile or profile, as appropriate, for a fund-raising specialist
7. Report to the F&A Committee at IWC/64 in 2012

This work builds on the research and recommendations reported in IWC/63/F&A8. Key points included:

- Projects that could be funded would benefit both management and conservation of whales by supporting healthy whale populations. Both scientific research and implementation components are important.
- Increasing range of threats to whale populations, but limited resources to support even existing IWC research and projects. Current reliance on voluntary contributions from a limited number of donors.
- Need to modernise financial reporting and better understand how financial contributions are used
- Need to build relationships with other organisations and potential donors, of which there are a number of different categories

A key consideration of the ICGSF is how to improve funding for mutually beneficial conservation work in the IWC without increasing financial contributions of Contracting Governments. External funds are therefore an important source. Other organisations reliant on external funds to support research and projects have different kinds of resource mobilization strategies and funding structures, appropriate to their particular needs and scale of ambition. On a small funding scale, simply providing a mechanism to enable interested parties to contribute funds 'ad-hoc', but with some level of security and guarantee of project return for investors is enough. This may include, for example, earmarking funds or establishing Trust Funds (either in the true legal sense with a Board of Trustees, or simply by 'ring-fencing' specific funds) for projects, or drawing up Partnership Agreements with donors (from different sectors) to secure ongoing funding. Larger operations or those with significant projects to resource may have teams whose function it is to pro-actively apply to donors for funds, building up a significant outreach capability to attract major voluntary donations.

However, for the IWC to improve funding for research and projects – even at the smallest scale – the ICGSF believes there are some important and small steps to take that will lay the foundations for the future. This also has wider benefits for improving transparency and credibility of the IWC, furthering the work to modernise and improve the effectiveness of operations agreed at IWC/63.

There are therefore two principle and dependent objectives. First, to modernise and improve financial reporting for existing and future IWC funding. Second, to create the right environment and establish the possible processes that will encourage external sources to donate funds to approved IWC conservation projects. Without the first, it is less likely that the second will be achievable.

Modernising reporting mechanisms (Supporting Term of Reference 1 &3)

A move to sectional – or segment – reporting, was discussed at IWC/63 following a recommendation in IWC/63/F&A8. The ICGSF has carried out further research to support such a move. The International Accounting Standards Committee has issued rules on segment reporting. The standard defines a business segment as a distinguishable component of an enterprise engaged in providing an individual product or service or a group of related products or services and subject to risks and returns that are different from that of other segments. It is increasingly best practice, with international organisations such as the UN moving towards this form of reporting. An example of a segment report taken from UNIDO financial reporting is at *Annex A*.

Segment Reporting increases transparency, helps drive internal decision making, improves relationships with external stakeholders and informs investment decisions. The ICGSF believes a move to Segment Reporting would be a small but important step in continuing the good progress made at IWC/63 and would underpin work to strengthen IWC financing. There is no need for any change to the Financial Regulations to take such an approach.

In line with the recommendation by the ICGSF at IWC/63, we propose the following four segments and definitions are adopted. The Secretariat is currently refining these to provide final definitions, looking at how this may apply in practice in IWC, to ensure reporting can be accurate. ICGSF considers this should be informed by the dual needs of maximising rigour of reporting while seeking to minimise, to the extent feasible, the complexity of the information collected. The Secretariat will provide a response in due course.

Administration: Activities of the IWC Secretariat including, but not limited to, matters such as staffing costs, costs associated with the staging of annual meetings, purchase and maintenance of Secretariat assets.

Cetacean Conservation: Activities of the Conservation Committee plus those activities of the Scientific Committee which are solely or primarily directed towards cetacean conservation.

Whaling Management: Activities of the Scientific Committee (with the exception of activities that are solely or primarily directed towards cetacean conservation) and matters relating to Aboriginal Subsistence Whaling.

Other: Activities which do not fall within the definition of any of the above elements.

Recommendation 1: IWC should approve the transition to segment reporting in line with the 4 segments proposed (pending further advice from Secretariat): Administration, Cetacean Conservation, Whaling Management, Other.

ICGSF notes the Secretariat has already made some improvements to financial reporting, by including a list of voluntary contributions made in 2010/2011 for the first time. ICGSF welcomes this and proposes all future voluntary contributions to any IWC administered fund are reported annually.

Recommendation 2: Voluntary contributions to all current & future IWC administered funds should be included in the Commission's financial reporting.

Such changes would ensure that Contracting Governments and stakeholders are provided with adequate quantitative data on the nature of IWC expenditure. However, it is considered that the efficacy of this data would be enhanced if accompanied by qualitative summary information on the activities of each key reporting segment. This would support the financial reporting, providing information for potential external funders as well as new Commissioners on the work of the IWC.

Recommendation 3: The IWC Chair, Secretary and Committee Chairs should provide a brief summary statement, outlining activities undertaken by their group over the preceding year and other relevant matters.

Creating the environment for funding

Possible donors and their requirements: In fulfilment of ToR6 and following a donation by the Australian Government, the ICG appointed International Fundraising Consultants (IFC). The remit was to identify a list of possible future donors, and to advise the ICG on what the IWC would need to have in place that would encourage donations from such organisations. The IFC outputs and recommendations will need full and formal scrutiny by the

ICGSF to inform its proposed workplan, and to consider what is and is not appropriate for the IWC in both the short and long term. The scale of IWC ambition will be an important consideration.

Recommendation 4: The ICGSF should consider the outputs and recommendations of the IFC reports, taking the level of need and ambition into account, as part of developing a long term strategy to strengthen funding, for discussion at IWC/65. This should also include the outputs of recommendation 4c of IWC/63/F&A8 (*Conservation Committee to provide budgeted work plan to F&A committee*). Models used by other organisations should be investigated. Further work with IFC should be considered if appropriate.

Approvals process for projects and financing

Much can be learnt from the existing processes for the Small Cetaceans Fund.

The IWC Scientific and Conservation Committees are the key bodies generating projects where funding gaps exist. Much of the work undertaken by the two Committees has significant overlap, for example, whale watching, ship strikes and conservation management plans – all of which require a scientific component and an implementation component. At IWC/63, the Committees considered how to improve collaboration, including mechanisms to improve communication and joint working, such as joint steering groups, on a case by case basis. The importance of avoiding delays due to meeting scheduling was also noted. This will be especially important if the IWC moves to biannual meetings.

In support of ToR 5, the ICGSF believes that co-operation between these Committees is equally essential in establishing a process to utilize external funding for projects of mutual benefit to both Committees. The ICGSF believes this would be an appropriate case for setting up a Conservation Project Steering Group in support of rebuilding and maintaining healthy whale populations. The remit would be to

- Oversee the selection and prioritisation of conservation projects and identify resource requirements
- Recommend projects for funding to the F&A Committee
- Monitoring and reporting project outcomes

2 or 3 members from each Committee could be selected as members as appropriate, plus a Chair nominated internally. Given the important link to funding, the ICGSF also believes it would be appropriate for a member of the F&A Committee and Budget Committee to participate in the Steering Group.

Recommendation 5: IWC should approve the establishment of a Conservation Project Steering Group in support of rebuilding and maintaining healthy whale populations. The ICGSF should draw up terms of reference for approval by Chairs of participating Committees and presentation at IWC/65

Project selection and eligibility

Very few donors are prepared to give to an organisation without firm assurance of how that money will be spent. To maximise internal and external funder confidence and interest in potential projects, and to balance the interests of all IWC members, the ICGSF believes it would be helpful to establish the categories of projects that might be considered.

This should maximise the synergies between the existing work and expertise of both the Scientific and Conservation Committees in seeking to achieve healthy whale populations. The ICGSF believes that the Steering Group should also – as far as possible - aim to ensure projects are representative of different regions, to ensure funding can be targeted at particular range state areas where it may otherwise be difficult to secure local financial support. Projects that are transboundary and multilateral in nature are also particularly important, and where the IWC can add significant value in co-ordinating research and implementation action above and beyond what may otherwise be possible by individuals.

Recommendation 6: The ICGSF recommends the following categories of project are prioritised by the Steering Group in the first instance, ensuring a balance of regional and transboundary projects where possible.

- Projects supporting Conservation Management Plans
- Projects supporting the 5 year strategic plan on Whale Watching
- Projects addressing entanglement
- Projects addressing ship strikes
- Projects addressing stranded whales, including euthanasia
- Projects addressing pollution
- Projects that address emerging issues and new threats to whale populations

The ICGSF has also looked in more detail at individual project eligibility criteria in fulfilment of ToR 4. This would give an additional level of confidence for external and internal donors, and ensure there is a consistency of approach in agreeing eligible projects.

Recommendation 7: Projects should be consistent with the terms of the criteria proposed at Annex B

Project proposals need to be clearly costed, with benefits identified, outlining what will happen if the project does not take place and how success will be measured and reported. ICGSF believes that a standard and simple project proposal template will be a useful tool to set out project information clearly and transparently, and benefit both the Steering Group and potential donors. This could be similar to the existing Small Cetaceans Fund form and process.

Recommendation 8: The ICGSF should prepare a template for project proposals in liaison with the Secretariat.

Establishment of a Trust Fund to receive any external money received (ToR 2)

As IWC/63/F&A8 explored, 'Trust Funds'¹ to support conservation work have been considered by IWC before. To date, IWC has decided it is more appropriate to ' earmark' funds for specific pieces of conservation work, channelled through the General or Research Funds. However, in 2010/11 financial year there were just 5 ear-marked donations, and only 2 of those were from external donors. To help manage IWC finances effectively, including some of these earmarked donations, the Secretariat has established sub- funds (e.g. Gray Whale Tagging Fund). Similarly, the Secretariat also uses sub-funds to manage finances for specific projects (e.g. Publications Fund, Annual Meeting Fund). There are no additional rules specific to the governing these funds, other than those established by the Financial Rules.

The Small Cetaceans Fund was established in 1994. This is a specific, ring fenced fund with its own clear rules and procedures as set out in Appendix 1 of the Financial Regulations. In comparison with other earmarked voluntary donations, the ring- fenced Small Cetaceans Fund received 9 donations in 2010/11, all from external funders. Funds are not further earmarked for specific projects, but instead are made generically to support the work programme on Small Cetaceans agreed by the Scientific Committee.

Other MEAs also rely on Trust Funds to support programmes of work. Some organisations – like UNEP - have multiple numbers of Trust Funds (UNEP had 84 Trust Funds in 2010) to enable donors to support specific workstreams. This gives donors the confidence that their money is being used in a way that they, or their investors, are comfortable with, and that it can be reported and audited in line with accounting requirements. It also makes it easy for the public to engage (and support financially, if desired) with the work of a particular organisation. This is a common and modern way for an organisation to receive funds from donors. It may also be possible to earmark funding within a Trust Fund, should an organisation also want to specify a particular project of interest within a programme of work.

¹ In this sense, 'Trust Fund' means a ring-fenced fund established within IWC (or other organisation) to manage particular project funds, rather than in the strict legal sense requiring a board of trustees.

The ICGSF believes that, to give external funders the confidence and ease to support research and projects that deliver healthy whale populations identified by the Conservation Project Steering Group, the IWC should establish a dedicated conservation fund, along the lines of the Small Cetaceans Fund. This fund should be in line with the IWC Financial Regulations on receipt of external funds, and subject to IWC audit processes.

Recommendation 8: The ICGSF should prepare a draft resolution to present to IWC/65 to establish a dedicated conservation fund to support healthy whale populations.

Many organisations have ‘Codes’ that set out not just how they propose to use funding, but from which kinds of organisations and under which circumstances they are prepared to accept funding. There are already some rules set out in the Financial Regulations para C2. A public facing document providing a readily accessible code would provide additional layers of protection for the IWC above and beyond the conditions set out in the Financial Regulations, to ensure the organisation is not brought into disrepute. Work is needed to consider this further, looking at how other similar organisations with Trust Funds have tackled this issue. This could also extend to other earmarked donations, as well as existing and future Funds IWC decides to establish.

Recommendation 9: ICGSF should consider the development of a ‘Code of Ethical Fundraising and Acceptance of funds’ policy.

Conclusion

The ICGSF believes the recommendations in this report are a small step towards improving the transparency and credibility of the IWC. The recommendations simply help to modernise and improve already existing mechanisms and processes, in line with those of similar organisations, so that IWC can strengthen funding for work of common benefit in delivering healthy whale populations.

Recommendation 10: The ICGSF should continue work in line with the recommendations above and new terms of reference [below], working closely with the Chairs of the Scientific and Conservation Committees, and report back to IWC/65.

Terms of Reference for ICGSF 2012/2013

1. Continue work on Terms of Reference 1 of the previous ICG, continuing examine ways to integrate conservation funding into the overall budget considering both core and voluntary funding.
2. Consider the outputs and recommendations of the IFC reports, taking the level of need and ambition into account, as part of developing a long term strategy to strengthen funding for discussion at IWC/65. Investigate alternative models used by other organisations. Consider further work with IFC if appropriate.
3. Draw up terms of reference for a Conservation Project Steering Group, for approval by Chairs of participating Committees and presentation at IWC/65.
4. Prepare a template for project proposals in liaison with the Secretariat.
5. Prepare a draft resolution to present to IWC/65 to establish a dedicated conservation fund to support healthy whale populations. Consider the development of a Code of Ethical Fundraising and Acceptance of funds policy.
6. Strengthen relationships with other similar organisations to inform development of work.
7. Report to F&A Committee in IWC/65.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: IWC should approve the transition to segment reporting in line with the 4 segments proposed (pending further advice from Secretariat): Administration, Cetacean Conservation, Whaling Management, Other.

Recommendation 2: Voluntary contributions to all current & future IWC administered funds should be included in the Commission's financial reporting.

Recommendation 3: The IWC Chair, Secretary and Committee Chairs should provide a brief summary statement, outlining activities undertaken by their group over the preceding year and other relevant matters.

Recommendation 4: The ICGSF should consider the outputs and recommendations of the IFC reports, taking the level of need and ambition into account, as part of developing a long term strategy to strengthen funding, for discussion at IWC/65. This should also include the outputs of recommendation 4c of IWC/63/F&A8 (*Conservation Committee to provide budgeted work plan to F&A committee*). Models used by other organisations should be investigated. Further work with IFC should be considered if appropriate.

Recommendation 5: IWC should approve the establishment of a Conservation Project Steering Group in support of rebuilding and maintaining healthy whale populations. The ICGSF should draw up terms of reference for approval by Chairs of participating Committees and presentation at IWC/65

Recommendation 6: The ICGSF recommends the following categories of project are prioritised by the Steering Group in the first instance, ensuring a balance of regional and transboundary projects where possible.

- *Projects supporting Conservation Management Plans*
- *Projects supporting the 5 year strategic plan on Whale Watching*
- *Projects addressing entanglement*
- *Projects addressing ship strikes*
- *Projects addressing stranded whales, including euthanasia*
- *Projects addressing pollution*
- *Projects that address emerging issues and new threats to whale populations*

Recommendation 7: Projects should be consistent with the terms of the criteria proposed at *Annex B*

Recommendation 8: The ICGSF should prepare a draft resolution to present to IWC/65 to establish a dedicated conservation fund to support healthy whale populations.

Recommendation 9: ICGSF should consider the development of a 'Code of Ethical Fundraising and Acceptance of funds' policy.

Recommendation 10: The ICGSF should continue work in line with the recommendations above and new terms of reference [included], working closely with the Chairs of the Scientific and Conservation Committees, and report back to IWC/65.

ANNEX A – Example of a segmented financial report taken from UNIDO ²**B: Statement of Financial Performance by Segment for the year ended 31 December 2010**

	Regular Budget Activities	Technical Cooperation	Other Activities and Special Services € '000	Inter Segments Transactions	Total UNIDO
INCOME/REVENUE					
Assessed contributions	78,304.6	-	-	-	78,304.6
Voluntary contributions	201.0	171,298.8	6,036.1	(3,612.1)	173,923.8
Investment revenue	311.6	166.0	73.4	-	551.0
Revenue producing activities	45.6	0.1	14,985.2	(14,496.0)	536.9
Share of surplus/(deficit) of joint ventures	-	-	472.4	-	472.4
Others	1,478.7	(3.0)	5.0	-	1,480.7
TOTAL REVENUE	80,341.5	171,461.9	21,572.1	(18,106.1)	255,269.4
EXPENDITURE					
Salaries and employee benefits	58,096.2	42,692.3	11,683.9	-	112,472.4
Operational costs	13,125.7	10,371.0	2,181.7	(3,519.2)	22,159.2
Contractual services	-	26,301.2	-	-	26,301.2
Office supplies and consumables	263.9	-	28.1	-	292.0
TC equipment expensed	-	15,714.8	-	-	15,714.8
Depreciation and amortization	594.6	-	7.2	-	601.8
Currency translation differences	200.7	(17,966.2)	(798.2)	-	(18,563.7)
Other expenses	5,820.3	21,586.9	45.3	(15,092.0)	12,360.5
TOTAL EXPENDITURE	78,161.4	98,700.0	13,148.0	(18,611.2)	171,398.2
SURPLUS/(DEFICIT) FOR THE FINANCIAL PERIOD					
	2,180.1	72,761.9	8,424.1	505.1	83,871.2

² http://www.unido.org/fileadmin/user_media/PMO/IDB/IDB39/idb39_22e.pdf

ANNEX B – Proposed Eligibility Criteria

Eligibility criteria have been developed with a view towards identifying projects that:

- (a) are consistent with the IWC's cetacean conservation aims and objectives
- (b) are likely to attract potential funding partners;
- (c) can demonstrate clear conservation outcomes;
- (d) are cost effective; and
- (e) have sound project management parameters.

It is envisaged that these eligibility criteria will allow IWC Contracting Governments and external partners to develop a compendium of conservation projects to be taken forward under the auspices of the IWC. The IWC will distribute the compendium to potential donors, with the aim of attracting funding or funding partners.

Draft Eligibility Criteria

Projects eligible for IWC endorsement will be those that can be demonstrated to be consistent with the principles also established for financial arrangements in the Financial Regulations paragraph C2(a) (*programmes or activities decided on by the Commission and/or to advance programmes and activities which are consistent with the objectives and provisions of the Convention*), particularly projects supporting the objectives of the conservation committee, AND:

- can be demonstrated to deliver concrete cetacean conservation outcomes, with additional priority given to projects targeting cetacean populations and species most at risk;
- clearly identify conservation targets and milestones;
- are technically and financially coherent and feasible and provide value for money;
- have identified funding partners and institutional affiliations (with in-kind contributions clearly demarcated);
- have identified a project team and team members' credentials with clear illustration of the capacity to produce quality research that will be communicated to a wide range of stakeholders;
- have been endorsed by the process to be determined in accordance with the fifth term of reference;
- have the endorsement of one or more range states;
- are consistent with legislative responsibilities of any relevant range states;
- incorporate mechanisms to ensure periodic review and reporting;
- have an outreach and capacity building component targeting identified stakeholders and local communities (where appropriate);
- meet appropriate ethical guidelines with respect to the treatment of animals involved, ensuring interference with cetaceans is within acceptable levels and does not cause distress to cetacean individuals intersecting with the project
- research methods are non-lethal only
- fund only actions that are not otherwise the core responsibility or business of governments or industry, and that do not subsidise commercial enterprises.

Projects will not be considered eligible if they, or associated participants and project partners, can be demonstrated to support work that is inconsistent with the principles also established for financial arrangements in the Financial Regulations, particularly paragraph C2(b)(i)(ii)(iii), (*known to have been involved in illegal activities, or activities contrary to the provisions of the Convention; Individual companies involved in commercial whaling; Organisations that have brought the Commission into disrepute*) or that conflict with the objectives of the conservation committee.