

Collection of Financial Contributions

Background

At IWC64 in 2012 the Commission adopted a recommendation from the Finance and Administration Committee that the Secretary should present a review of the Commission's Financial Regulations. The review should outline any additional measures that can be taken to assist Contracting Governments in arrears of payments to pay their outstanding dues.¹ This document is provided in response to the request for a review.

Status of unpaid financial contributions

The Secretariat's current practice is to issue invoices to all 88 Contracting Governments at the start of the financial year (the full process for collecting payment is described at Table 1 below).

If a Contracting Government fails to pay its invoice the amount owing to the Commission is recognised as an 'outstanding contribution'. At year end these amounts are recorded on the balance sheet along with any interest due.

The Commission's audited accounts for the financial year ending 31 August 2013² showed total historical outstanding contributions due from members including interest was £533k. This was an increase from the 2012 figure of £503k. The provisional financial statement for year ending 31 August 2014³ estimates a further increase to £673k. The increase is caused by Governments who fail to pay.

However Financial Regulation F.5a requires that no further annual contributions are charged to Contracting Governments who have not made payments in respect of a period of three financial years.

Thus invoices for Governments three or more years in arrears are cancelled at the end of the financial year. The Governments whose invoices have been cancelled are identified in the audited accounts. For year ending 31 August 2013 the value of invoices cancelled was £53k.

The figure for 'outstanding payments' on the balance sheet does not include payments which were due from governments three or more years in debt.

Therefore for each year, the total amount of payments which the Commission fails to collect is calculated as the rise in the figure of 'outstanding contributions' on the balance sheet (£30k in 2013), *plus* the value of financial contributions which are cancelled (53k in 2013), making total uncollected contributions in year ending 2013 of £83k⁴.

¹ Annual Report of the International Whaling Commission 2012 p126

² Meeting Document IWC/65/05(3013)

³ Meeting Document IWC/65/06

⁴ This figure is large enough to affect the Commission's budget process. Accordingly the budget includes a provision for £76k for each year in 2015 and 2016 for doubtful debts (including cancelled financial contributions).

Secretariat's current procedure for collecting contributions

The practice followed by the Secretariat for collecting contributions is described in Table One below:

Table 1: Secretariat's procedure for collecting financial contributions		
Stage	Time	Action
1	Late August to early September	Secretariat sends a Circular Communication describing the application of the contributions formula to the Commission's agreed budget ⁵ . This Communication constitutes the formal request for payment required under Financial Regulation E.1, and it establishes that the payment is due by 28 February through Financial Regulation E.2.
2	Late August to early September	Secretariat posts hardcopy invoices and statements to all Commissioners. The deadline for payment is 28 February.
3	Late August to early September	Secretariat emails softcopy invoices and statements to all Commissioners and finance representatives.
4	January / February	Secretariat emails payment reminders to all Contracting Governments who are yet to pay.
5	March	Secretariat provides a Circular Communication stating total number of Contracting Governments who have failed to pay by the deadline, and requests details of finance officers within individual Contracting Governments. ⁶
6	March	Secretariat issues invoices for annual interest on outstanding contributions, and these are sent by email and post to relevant Commissioners.
7	May	Secretariat emails Commissioners with three or more years outstanding contributions to remind them of the availability of a repayment schedule under Financial Regulation F.5.(e)
8	May	Secretariat emails individual Contracting Governments to notify that their voting rights have been suspended.
9	June	Secretariat provides a Circular Communication listing the individual Contracting Governments whose votes have been suspended. ⁷
10	Throughout year	Individual Circular Communications are used to notify the Commission whenever a Contracting Government pays its financial contributions and votes are restored.
11	Biennial meeting	Secretary makes an oral report of countries whose votes are suspended
12	Throughout year	Regular and on-going exchange with any Contracting Government enquiring about its financial contributions.

In connection with step 10 of Table One above, the Secretariat continuously prioritises responding to finance related enquiries. Replies to all enquires are usually given within a 24 hour period, and every opportunity is used to maintain communication with Governments who are in arrears. Where appropriate, and to avoid any possibility of confusion, the Secretariat translates its responses into French or Spanish.

⁵ See for example IWC.CCG.1071 of 17 September 2013

⁶ See for example IWC.CCG.1084 of 13 March 2014

⁷ See for example IWC.CCG.1095 of 4 June 2014

Proposals for measures

Given the on-going rise in unpaid dues, measures are needed which will assist Contracting Governments in making payments and which will alleviate the effects on the Commission.

Measures to assist Contracting Governments to pay Financial Contributions

1 Financial Representation

In some Contracting Governments the office of the Commissioner is separate from the office which holds financial responsibility for paying contributions to inter-governmental organisations. This leads to the possibility that communications from the IWC may not arrive at the office which is able to make payment. The Commission may wish to consider developing its Rules of Procedure on representation to prevent the possibility of requests for payment arriving at an incorrect destination. A proposed additional paragraph to Rule of Procedure A is given below:

A.3 All Contracting Governments shall furnish the Secretary of the Commission with the contact details of the national office responsible for making payment of financial contributions.

2 Assistance in making payment to settle outstanding debts

Financial Regulation F.5 describes the approach to be followed for Governments in arrears of payment. The Commission may wish to clarify the meaning of paragraph F.5.(e) with regards to the number of years payment that is required for a vote to be re-instated. Proposed new text shown in bold italic:

(e) the provisions of this Regulation and of Financial Regulations F.1. and F.2. will cease to have effect for a Contracting Government if it makes a payment of 2 years outstanding contributions (***including the current financial year***) and provides an undertaking to pay the balance of arrears and the interest within a further 2 years. ***The current financial year invoice will be issued by the Secretariat on request.***

Measures to alleviate the effects on the Commission

1 Process for cancelling annual contributions for Governments three or more years in arrears

Financial Regulation F.5.(a) requires that no further annual contributions will be charged to governments three or more years in arrears.

At the present time the Secretariat's practice under the contributions formula is to invoice all Contracting Governments at the start of the financial year. At the end of the year invoices are cancelled for Governments who remain three or more years in debt.

A more appropriate application of Financial Regulation F.5.(a) would be to not charge further annual contributions. In practice this means that no new invoice would be issued to governments who are already three or more years in arrears. Instead, a repeat invoice and statement for outstanding debt would be issued at the start of the year.

This would mean that the total amount due from Contracting Governments (as agreed through the budget) would be allocated (using the contribution formula) amongst only those Governments who were less than three years in debt.

The application of the contributions formula is not described in the Rules of Procedure. If the Commission wishes to establish this change it may wish to make a recommendation as follows:

In applying Financial Regulation F.5, the Commission recommends that the Secretariat should issue invoices only to Contracting Governments who are less than three years in arrears of payment.

2 Process for recovering debts from Governments more than three years in arrears of payment

Over the last 24 months the Secretariat has made every effort to establish contact with Contracting Governments in arrears of payments. This has resulted in numerous unreturned calls and letters, a statement by one Contracting Government (Cyprus) that they are not able to pay, and communication from another (Portugal) that payment is a low priority.

Given these outcomes, the Commission may wish to ask the Secretariat to develop options for independent (i.e. commercial) approaches to debt collection.