

Urgent Action Required to Achieve a Balanced Budget for 2022/23 and Beyond

A report of the Chair of the Budgetary Sub-Committee to the Bureau

16 October 2020 – Virtual meeting

The Bureau is requested to:

- **Endorse** the BSC's proposal to engage and support relevant Committee Chairs and the Secretariat in developing balanced budget options for 2022/23
- **Request** that options for achieving a balanced budget for 2022/23 are presented to the May 2021 Bureau meeting.
- **Note** the ongoing pressures and risks to the Commission's budget, and the need to urgently identify savings from all three budget streams (Secretariat, Meetings, and Scientific Committee's research fund)

1. Key points

- 1.1. Agreeing a balanced budget for 2020/23 and beyond is fundamental to ensuring the ongoing function and stability of the Commission. The Commission cannot adopt another deficit budget.
- 1.2. Discussion and development of sensible balanced budget options must occur immediately, to support and simplify decision-making at IWC68. The Commission's leadership must engage in the process and consider and propose necessary adjustments across all three budget streams.
- 1.3. In this paper, the Budgetary Sub-Committee proposes a way to support the Secretariat and Chairs of relevant committees to undertake this work immediately.
- 1.4. The Bureau's support will give more weight to the process and encourage greater participation and engagement.

2. Proposal

- 2.1. The Budgetary Sub-Committee proposes to establish and support two informal discussion groups (described below) that will operate simultaneously from approximately November 2020 – June 2021.
 - The two groups will collaborate to bring balanced budget options to the Bureau in May 2021, that include savings from all three budget streams.
 - Based on this work and discussion, a preferred research budget option should be agreed at the May 2021 Scientific Committee meeting.
- 2.2. The Budgetary Sub-Committee seeks the Bureau's endorsement of this proposal and assistance with implementation.

Discussion Group One: Process

- 2.3. A group comprising the Chair and Vice Chair of the Commission, the Secretariat, and Chairs and Vice Chairs of the Scientific and Conservation Committees to:
 - Discuss options and develop recommendations for how the Commission could operate more cost effectively, including Secretariat arrangements, meeting length/frequency/set-up etc.
 - Strategically prioritise and weight savings options between the three budget categories and agree which options to propose to the Commission at IWC68.
- 2.4. Australia proposes to lead this group as Budgetary Sub-Committee Chair and will provide administrative support.

Discussion Group Two: Scientific Priorities

- 2.5. A small group comprised of Commissioners that will inform and support group one, by:
 - Examining the Scientific Committee’s work program and reports, and prioritising activities.
 - Developing and providing recommendations to group one on which Scientific Committee/research activities could be reduced or stopped.
 - Assessing the potential impact of cost reductions and considering risk management strategies.
- 2.6. The group will have balanced representation across pro-whaling and pro-conservation members and will be comprised of Commissioners who have the necessary background to navigate and interpret the three Scientific Committee reports that will be submitted to IWC68.
- 2.7. The Budgetary Sub-Committee will lead engagement to establish this group, and provide administrative support.

3. Background

- 3.1. Prior to the pandemic, the Commission was on a trajectory to deplete its cash reserves within the next seven years, due to a prolonged period of frozen membership contributions and the adoption of successive deficit budgets.
- 3.2. COVID-19 and the delayed Commission meeting has raised new financial challenges. A lower than usual rate of contributions this year means the Commission may face a serious cash-flow issue within the next 6-12 months (see paper on cashflow position).
- 3.3. Even if the Budget Reform Strategy (currently being developed by the Budgetary Sub-Committee and Working Group on Operational Effectiveness) is agreed at 2021, a balanced budget will not be achieved unless the Commission’s planned expenditure is reduced.
- 3.4. The Commission’s core funds are divided into three budget categories: The Secretariat, Meetings and the Scientific Committee’s research fund.
 - Savings from all three categories will be needed in order to balance the budget.

Secretariat budget

- 3.5. The Secretariat has been working to identify a range of cost-saving measures that could be implemented within the Secretariat.

Meetings budget

- 3.6. Cost-saving measures have not been formally proposed, but the Working Group on Operational Effectiveness has identified possible changes to the operation of Commission meetings (moving to a 2-4-2 model) that will reduce costs.
- 3.7. Greater use of virtual meetings going forward will also generate savings, including Invited Participants attending meetings virtually where possible.
- 3.8. The concept of moving to biennial Scientific Committee meetings (with increased intersessional workshops as needed) has been suggested to the Chair and Vice Chair of the Scientific Committee.

Scientific Committee's research fund

- 3.9. Attempts have been made to engage with the Chair and Vice Chair of the Scientific Committee on potential savings options, however these discussions have not resulted in the identification of cost-saving proposals.
- 3.10. The Scientific Committee has requested that, if the Commission directs it to reduce its budget (either meetings or research), the Commission should also provide direction on which activities should be reduced or stopped.
 - This approach would result in a situation similar to IWC67 where the Scientific Committee's research budget had to be significantly reduced on the floor of plenary.
 - To avoid this at IWC68, the Budgetary Sub-Committee urges the Scientific Committee to come prepared with advice for the Commission on options to prioritise and/or reduce the work program, including advice on associated implications or risks with each option.

4. Summary

- 4.1. The Commission's budget situation no longer allows for consideration of whether costs can be reduced, but rather how and where they can be reduced.
 - On the current trajectory, the Commission will not be financially viable within a few meeting cycles.
- 4.2. Balanced budget options for 2022/23 (including all three budget streams) must be discussed and developed immediately, in parallel with the ongoing Budget Reform Strategy development and consultation.
- 4.3. The BSC is seeking the Bureau's support to establish two discussion groups that will identify savings to ensure a balanced and sustainable budget position for 2022/23 can be presented at IWC68.