

IWC FINANCIAL POSITION – A REPORT FROM THE BUREAU

SECTION ONE – THE ISSUE

Introduction

The IWC no longer receives enough income to fund its agreed workplan. In 2017, the Commission is expected to face a budgetary shortfall of approximately £26,000. From 2017 onwards, the IWC will face an annual shortfall of increasing size unless strategic action is taken.

Background

Similar issues have been narrowly averted in the past, for example by an influx of new members and their financial contributions, and, as recently as 2016, by a large, single payment of arrears. Although timely, these were temporary fixes and not permanent solutions.

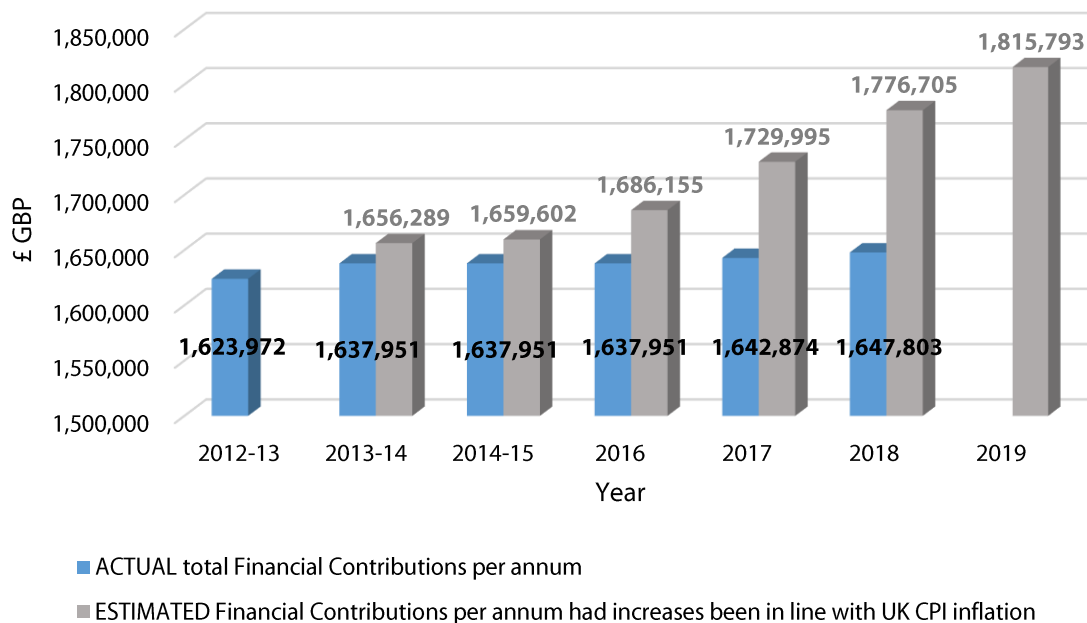
Financial Climate

In recent years, the IWC has benefited from low UK inflation rates but these have now begun to rise significantly. Further inflation rate increases are forecast, and post-Brexit uncertainty is also affecting the strength of the pound. The weak pound increases the cost to the IWC of key items of expenditure, for example hotel and meeting rooms, and reduces its spending power generally. However, the weakness of the pound against stronger performing currencies means that the true cost of financial contributions payments has actually reduced for many Contracting Governments.

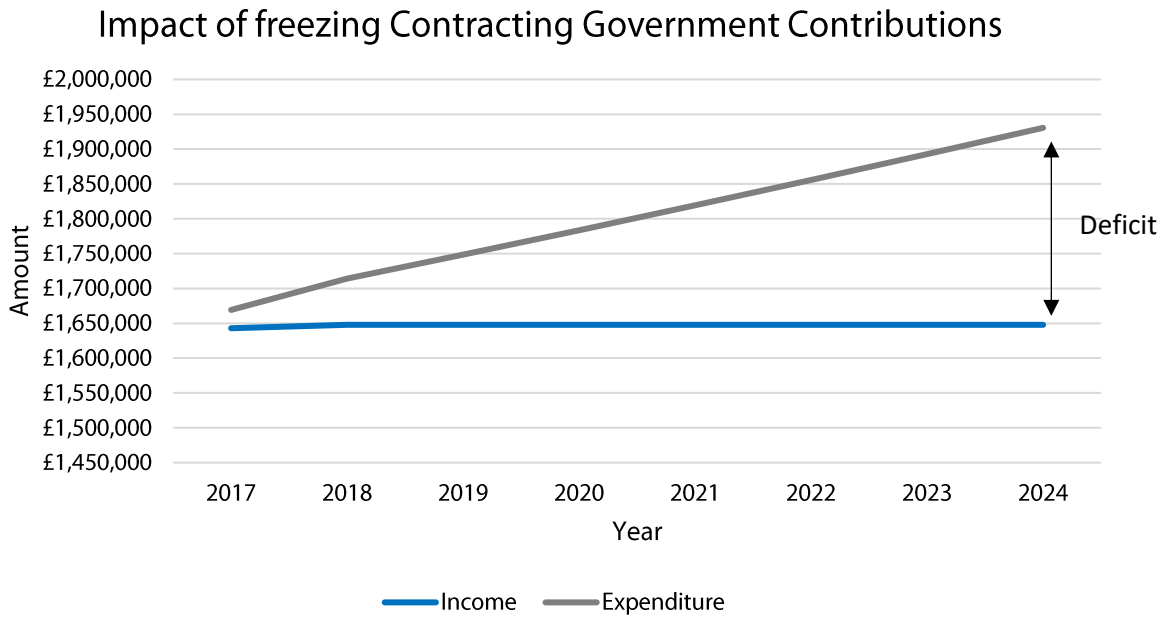
IWC Budget and Financial Contributions

Over recent years, successive budget freezes followed by a minimal incremental increase mean the IWC budget has become significantly misaligned with inflation. The graph below shows that, had contributions increased with inflation since 2012/13, income from Contracting Governments would have been £128,902 greater than is budgeted for in 2018. The second graph shows the impact of a continuing freeze in contributions, if spending continues to increase with inflation.

Comparison of increases in IWC financial contributions vs. actual UK CPI inflation



*Note – inflation for 2018 and 2019 is based on forecast inflation



Summary of the Issue

Strategic action is required to ensure that the IWC workplan is deliverable within the resources available. In broad terms, this can be achieved by increasing income, reducing the workplan, or realigning resources and the workplan to a scope and timescale that is affordable.

SECTION TWO – THE WAY AHEAD

Short-term Actions

There are a number of actions that can be taken now to improve our understanding of how the IWC budget is spent. The Secretariat is working proactively to introduce enhanced financial controls and reporting processes which will clarify how different funds are spent, where any efficiencies might be found, and where future risks lie. A table including these actions can be found at Annex A to the Bureau Minutes.

Across the Commission there are a number of initiatives to standardise new proposals, workplans and contracts, and ensure all resource implications (financial and human) are considered. These initiatives are timely and the Bureau will consider how best to carry-over these principles to discussions at IWC67 and beyond.

Governance Review

The Governance Review is expected to make recommendations regarding financial practices, organisational structure and work planning. These recommendations should be considered in parallel with strategic action to address the long term financial issue.

Longer Term Plan

Acknowledging the integral role of the Governance Review, the Bureau has devised a timetable for initiating work to analyse current expenditure, identify any remaining efficiencies, and agree a strategic review process to be undertaken by the Commission in order to rectify the long-term financial shortfall. The aim is to propose a way forward to the Finance and Administration Committee at IWC67 in order to gain agreement to a programme of work in the following intersessional period.

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| Mid-October (latest) | Circulate Bureau Minutes and introductory paper |
| End October | Governance Review Report submitted to Secretary and circulated to Operational Effectiveness Group and Bureau Bureau begin planning and drafting process for plan to be submitted to discussed at F&A, IWC67 |
| 1 March | Governance Review finalised and submitted |
| 23 April (approx. – start of SC) | Bureau teleconference |
| 7 May (approx. – end of SC) | Bureau in-person meeting |
| Post SC – date TBC | Mechanism established for relevant documents and proposals to be shared with all contracting Governments to maximise awareness and engagement |
| July 3 (Commission 60 day deadline) | Circulate F&A paper (plan) |

What can Contracting Governments do now?

The Bureau would like to ask all Contracting Governments to consider this paper and the discussions as set out in the Bureau Minutes, and feed in any initial ideas or questions to secretariat@iwc.int. Contracting Governments are also asked to ensure other members of the delegation and relevant colleagues are alerted to the issue as appropriate.

The Secretariat is creating a document portal, where papers (including the finance papers submitted to the September Bureau meeting) will be stored. Other documents will be added in due course, to ensure they are available for the widest possible scrutiny within the Commission.

Finally

The current financial situation undoubtedly presents us with problems but also with opportunities. The need to re-evaluate the procedures and structures of the IWC is long-recognised and reflected in the support that has been given to the Governance Review thus far. There will inevitably be some difficult discussions ahead, but the opportunity for an all-encompassing strategic review is one from which we can all benefit.