

Report of the Finance and Administration Committee

Friday 18 June 2010

1. INTRODUCTORY ITEMS

The list of participants is given in Appendix 1.

1.1 Appointment of Chairman

Donna Petrachenko (Australia) was appointed as Chair of the Committee. She noted that attendance at the Finance and Administration (F&A) Committee was limited to delegates and that observers were not permitted to attend.

1.2 Appointment of Rapporteur

The Secretariat agreed to act as rapporteurs.

1.3 Review of documents

The documents available to the Committee are listed in Appendix 2.

2. ADOPTION OF THE AGENDA

The agenda was adopted without amendment (Appendix 3).

3. ADMINISTRATIVE MATTERS

3.1 Implications of discussions on the future of the IWC

3.1.1 Introduction

The Chair noted that the discussions ongoing since last year's meeting on the future of IWC (including follow-up to the Intersessional Correspondence Group's report on issues related to the Scientific Committee) may have a number of implications to the work of the IWC, frequency of meetings and to the role of, and expertise required in the Secretariat. While recognising that these discussions were ongoing, she suggested that it would nevertheless be useful for the F&A Committee to give initial consideration to possible administrative and financial implications of these discussions on the IWC and to bring these to the attention of the Commission as appropriate. She invited the Secretariat to highlight possible implications.

The Secretariat suggested that the following three scenarios could be considered: (1) the *status quo*; (2) the case where the consensus decision is adopted, amended as appropriate; and (3) the situation where the consensus decision is not adopted but where the Commission agrees to continue work in some way for a further year.

With respect to scenario 1 – the *status quo*, the Secretariat suggested that there would be no particular administrative or financial implications. However, it drew attention to the need it had expressed during the meeting of the Budgetary Sub-committee for an additional member of staff given the increased size of the organisation and the increased range of activities over the last 10 years that have increased its workload significantly (see section 5.3.1). Clearly the addition of a new member of staff would have financial implications.

With respect to scenario 2 – adoption of the consensus decision, amended as appropriate, the Secretariat noted that the administrative and financial implications would be significant. The implementation and running of the monitoring, control and surveillance regime of whaling operations foreseen in the consensus decision (involving *inter alia* an international observer scheme (IOS), a vessel monitoring system, a DNA register/market sampling system) would create significant additional work for the Secretariat whether the IOS was run in house or outsourced and the associated costs, particularly in relation to the IOS are considerable. Estimates are provided in Document IWC/62/10 and for the total package are in the order of £1.3 million. The Secretariat also noted that the proposed changes to the governance structure of the organisation, with a number of Committees having more significant roles than at present, would create substantive additional work for the Secretariat with regard to servicing these Committees. Adoption of the consensus decision would also require the revision of the Rules of Procedure, Financial Regulations and Rules of Debate (as identified in Document IWC/62/8).

With respect to scenario 3 – the situation where the consensus decision is not adopted but where the Commission agrees to continue work in some way for a further year, the Secretariat again suggested that an additional member of

staff is required and that provision would need to be made to fund intersessional work. Scenario 3 corresponds to the budget proposal made in Document IWC/62/5rev (see section 5.3.1).

In addition to the above, the Secretariat referred to the ongoing discussions regarding the possible separation of the meeting of the Scientific Committee from that of the Commission as a follow-up to the work of the Intersessional Correspondence Group on Scientific Committee Matters. It had prepared a discussion document for the Commission *inter alia* on the implications of such a separation (see IWC/62/16). The Secretariat noted that the main financial and administrative implications of separating the two meetings included: (1) the timing of the two meetings and the interval between the two; (2) the additional work load for the Secretariat in arranging two large meetings, possibly in different locations in the same year (should the Commission continue to meet annually); (3) increased freight costs. Should the Commission decide to meet biennially, then there would be some cost savings.

3.1.2 F&A Committee discussions and recommendations

The differing administrative and financial implications of the different scenarios were well understood by the meeting, and it was noted that should the consensus decision, revised as appropriate, be adopted the implications were significant. The F&A Committee agreed it therefore needed to be prepared and a range of budget options were developed under item 5.3.2 below.

It was noted that the cost estimates for the IOS included in Document IWC/62/10 were based largely on information on whaling operations collected in 2002 and the whaling countries were requested to confirm whether the assumptions were still valid. Japan confirmed this to be the case for its own operations.

3.2 Amendments to the Rules of Procedure, Financial Regulations and Rules of Debate

At IWC/61 last year, the Commission adopted changes to the Rules of Procedure 'J. Schedule amendments and recommendations under Article VI as follows (changes shown in bold italics):

J. Schedule amendments, recommendations under Article VI and Resolutions

1. No item of business which involves amendment of the Schedule to the Convention, *[]* recommendations under Article VI of the Convention, ***or Resolutions of the Commission***, shall be the subject of decisive action by the Commission unless the ***full draft text*** has been *[]* circulated to the Commissioners at least 60 days in advance of the meeting at which the matter is to be discussed.

2. Notwithstanding the advance notice requirements for draft Resolutions in Rule J.1, at the recommendation of the Chair in consultation with the Advisory Committee, the Commission may decide to consider urgent draft Resolutions which arise after the 60 day deadline where there have been important developments that warrant action in the Commission. The full draft text of any such Resolution must be circulated to all Commissioners prior to the opening of the meeting at which the draft Resolution is to be considered.

As currently drafted, the new rule J.2 would not allow the adoption of consensus Resolutions that may arise during a Commission meeting. Examples of such consensus Resolutions are those adopted at IWC/62 concerning the extension of the Small Working Group (SWG) on the Future of IWC (i.e. Resolution 2009-2) and Resolution 2009-1 on Climate and Other Environmental Changes and Cetaceans. Believing that this was not the intention of the Commission the Secretariat had proposed that a new paragraph be added to provide the necessary clarification. After a short discussion the F&A Committee agree to **recommend** to the Commission that a new paragraph, J.3 be added as follows:

3. Notwithstanding Rules J.1 and J.2, the Commission may adopt Resolutions on any matter that may arise during a meeting only when consensus is achieved.

3.3 IWC's Website

3.3.1 Introduction by the Secretariat

The Secretariat reported on two issues: (1) progress with the partial translation of the Commission's website; and (2) progress with the rebuilding of the website.

Translation

At IWC/60 the Commission agreed to start partial translation of its website by: (1) making part of the website available in French and Spanish in a similar way to some other IGOs who have more than one working language, by focusing on the most popular pages viewed by the website's audience; and (2) improving machine translation for those parts of the website not translated. As an initial step, it was agreed that the translated pages would be made available on the website as PDF documents.

At IWC61 the Secretariat reported that the translations of the 15 most popular pages on the IWC website kindly donated by France had been incorporated in the site along with two from Spain. France noted that the donation was a one-off contribution and that further translation updates of these pages should be maintained by the Secretariat.

The Secretariat reported that 11 of those original 15 French translations are correct as of 18 June 2010 and noted that it will be endeavouring to have the four remaining French updates completed during IWC/62. Since IWC/61 two further pages have moved into the top 15 most viewed pages, namely the Future of the Commission page and the ship strikes page (see Table 1). The Secretariat hopes to be in a position to arrange for translations into Spanish in due course and their updating as necessary.

Table 1: Top 17 most-viewed pages on the IWC website

Title	URL	Rank	Hits in 2010
The Commission	http://www.iwcoffice.org/commission/iwcmain.htm	1	40736
Population Estimates	http://www.iwcoffice.org/conservation/estimate.htm	2	27600
The Convention	http://www.iwcoffice.org/commission/convention.htm	3	15553
Catches and catch limits	http://www.iwcoffice.org/conservation/catches.htm	4	10941
Lives of whales	http://www.iwcoffice.org/conservation/lives.htm	5	8277
Scientific Permits	http://www.iwcoffice.org/conservation/permits.htm	6	8255
The Schedule	http://www.iwcoffice.org/commission/schedule.htm	7	7912
Whale Sanctuaries	http://www.iwcoffice.org/conservation/sanctuaries.htm	8	6777
Environmental effects	http://www.iwcoffice.org/conservation/environment.htm	9	6603
Future of the IWC	http://iwcoffice.org/commission/future.htm	10	5211
Taxonomy of whales	http://www.iwcoffice.org/conservation/cetacea.htm	11	4812
RMS	http://www.iwcoffice.org/conservation/rms.htm	12	4371
Welfare issues	http://www.iwcoffice.org/conservation/welfare.htm	13	4167
Shipstrikes	http://iwcoffice.org/sci_com/shipstrikes.htm	14	4028
RMP	http://www.iwcoffice.org/conservation/rmp.htm	15	3927
Aboriginal subsistence whaling	http://www.iwcoffice.org/conservation/aboriginal.htm	16	3881
Whalewatching	http://www.iwcoffice.org/conservation/whalewatching.htm	17	3492

Noting that last year France observed that the translations were currently available only in PDF format rather than HTML, which would be preferable, the Secretariat reported that the format of these translations will change from PDF to HTML pages upon completion of the website rebuild (see below).

Website rebuild

The Secretariat reported that the redesign and rebuild of the IWC website is currently underway and it is estimated that the site will go live by the end of 2010. The new site will be database-driven using a multilingual Content Management System (CMS) that will speed up delivery of information to users and allow for the website's continued expansion and increased popularity (1,153,956¹ total page views from 01/01/2010 to 14/06/2010 as compared to 654,502 in the same time period in 2009).

The CMS will allow review and editing of website content from non-web design trained authors, which will speed up the updating process and provide for further direct input from other departments within the Secretariat. It will also include a facility for keeping track of document and webpage revisions in order to keep the site as up to date as possible while maintaining traceability throughout.

The new site will be hosted on a dedicated server which will be fully administered by the Secretariat. This represents a significant change from the current shared hosting package and will result in increased security, thus helping to protect the site from unwanted malicious intrusions, as was encountered in March 2009. The new hosting package will also provide greater speed and bandwidth to cope with the aforementioned increased demand and will prevent an outage such as that experienced during SC62 where the website became inaccessible for half an hour due to a large number of scientists downloading documents from the site simultaneously.

This increased demand for electronic versions of documents is due to a doubling of the number of scientists who have opted out of receiving the SC documents on paper (26.7% of the SC opted out this year compared to 13.5% in 2009). This has lead to a significant reduction in printing volume and costs (35% reduction of copies during the SC Meetings from 2009 to 2010), and hence a positive impact on the Environment.

The Secretariat noted that it would welcome any suggestions or comments from Commission members as to new additions to the site or amendments to existing sections that would improve its accessibility and the presentation of information.

¹ 'Hits' by 'robot' visits have been deducted from these numbers.

Technical Committee

The Chair reminded the Committee that no provision had been made for the Technical Committee to meet at Annual Meetings since IWC/51. However, the Commission had agreed to keep the need for a Technical Committee under review pending the outcome of work to resolve the Commission's difficulties (i.e. the 'future' process).

3.3.2 F&A Committee discussions and recommendations

France, Monaco and the Cameroon thanked the Secretariat for its work related to translation of the website. They supported the further translation of the website into French and Spanish, noting that it provides the first point of entry for interested members of the public worldwide.

With respect to the Technical Committee, as last year, the F&A Committee Chair suggested that it would be appropriate to maintain the *status quo*, i.e., keep this item on the agenda since the Technical Committee may have a role to play if and when catch limits other than zero are set.

3.4 Carbon-neutral study

At IWC/60 in 2008, the Commission agreed that the Secretariat should undertake a study to be presented at the 2009 Annual Meeting on the feasibility and associated costs of off-setting the carbon emissions of the operation of the Secretariat and the meetings of the IWC and thus to become carbon-neutral.

At IWC/61 last year, the Secretariat reported that while it had done some preliminary work towards a feasibility study it had not done the study itself due to other commitments. It stressed that it took the matter seriously and that it would undertake the study and report to the F&A Committee next year. Regrettably the Secretariat reported once more that due to the pressure of other work it had again not been able to complete the feasibility study. It did, however, note that on a routine basis it attempts to take steps to reduce its carbon footprint. In this respect it drew attention to the saving of paper described in 3.3.1 above.

The F&A Committee noted the report from the Secretariat and looked forward to receiving the outcome of a feasibility study at its next meeting.

4. FORMULA FOR CALCULATING CONTRIBUTIONS AND RELATED MATTERS

4.1 Due date for financial contributions

4.1.1 Background

The due date for financial contributions is 28 February (Financial Regulation E.2). If dues are not received by the Commission by this date, a 10% penalty charge is added (Financial Regulation F.1).

At IWC/61 in Madeira, a number of Contracting Governments, particularly of developing countries, again noted that because of conflicts between the due date for financial contributions to the IWC and their own national budgetary cycles, they find it difficult to meet the due date. They therefore often incur penalty charges and have requested that the due date be revised to give them a longer time period in which to pay before a financial penalty is incurred.

At the Commission's request, the Secretariat explored the implications of changing the due date and circulated a document on this issue to Contracting Governments in October 2009. The intention had been to address this matter at the intersessional Commission meeting to address Greenlandic aboriginal subsistence whaling quotas first scheduled for December 2009 such that any changes agreed by the Commission could take effect for the 2009/2010 financial contributions. Because of the postponement of the intersessional meeting to March 2010 (i.e. after the due date for 2009/2010 contributions), the matter of due dates was postponed until IWC/62.

The document prepared by the Secretariat (IWC/62/F&A 3) reviewed: (1) the financial year of the IWC and recent levels of individual financial contributions of Contracting Governments; (2) the fiscal years of Contracting Governments; (3) the pattern of payment of financial contributions; and (4) the penalty interest incurred.

It noted that the due date of 28 February, while being mid-way into the IWC's financial year, is close to the beginning of the fiscal year (i.e. 1 January) for most Contracting Governments. While most Contracting Governments pay their financial contributions by the due date, a number – mostly developing countries – fail to do so and incur penalty interest, with a number of them incurring penalty interest routinely.

The proximity of the current due date to the beginning of the fiscal year of most Contracting Governments appears to create difficulties for some Contracting Governments in arranging the timely payment of their financial contributions, although there may be other contributory factors. Furthermore, even if a Contracting Government has made its remittance by the due date, fluctuations in currency exchange rates can result in the amount remitted falling short of the amount required. Penalty interest may be imposed if a Government is not able to transfer additional funds to meet any shortfall in time.

The imposition of penalty interest has caused some Contracting Governments who have been able to pay the financial contribution but not the penalty interest (because this was not included in their budgets) to have their voting rights suspended under Financial Regulation F. 2 and Rule of Procedure E.2(a).

The Secretariat noted while revising the current due date to give governments a longer time period in which to pay their financial contributions before a financial penalty is incurred, an alternative could be to keep the due date as described in Financial Regulation E.2 but to impose penalty interest from a later date.

Extending the due date

With respect to extending the due date, the Secretariat noted that given that the due date of 28 February is mid-way into the Commission's financial year, it would not be financially prudent to extend the date very far as this could lead to cash-flow problems if many Contracting Governments delayed payment until this time (which may be a natural response). However, extending the due date by one month should not unduly affect cash-flow and would provide a little more time for finance departments to process payments.

If the due date were to be extended by one month (to 31 March), consideration would need to be given to the timing of the trigger for suspension of voting rights for non-payment of financial contributions, including any interest due as described in Financial Regulation E.2 and Rule of Procedure E.2(a), i.e. should the current '3 months following the due date' be revised to '2 months following the due date' to keep the timing the same as at present?

Attention was drawn to the fact that if the due date were to be extended by one month, this would also extend the period when Contracting Governments will have the right to vote without having paid their financial contributions.

Delaying the date for imposition of penalty interest

Keeping the current due date as 28 February but imposing penalty interest from a later date (e.g. one month after the due date) would help countries avoid incurring penalty interest and should have less impact on the Commission's cash-flow than changing the due date, assuming that Contracting Governments will continue to strive to pay their financial contributions on time. Furthermore, there would be no impact on Rule of Procedure E.2 and no impact on the period when Contracting Governments will have the right to vote without having paid their financial contributions.

Secretariat's proposal including amendments to the Financial Regulations

Of the two approaches described above, the Secretariat suggested that the Commission consider delaying the date of the imposition of penalty interest to 31 days after the due date. Because the due date for the payment of financial contributions would remain the same, the only amendment to the Commission's rules required would be an amendment to Financial Regulation F.1 as shown below.

Current Financial Regulation	Proposed amendments (<i>in bold italics</i>)
<p>F. Arrears of Contribution²</p> <p>1. If a Contracting Government's annual payments have not been received by the Commission by the due date referred to under Regulation E.2. a penalty charge of 10% shall be added to the outstanding annual payment on the day following the due date. If the payment remains outstanding for a further 12 months compound interest shall be added on the anniversary of that day and each subsequent anniversary thereafter at the rate of 2% above the base rate quoted by the Commission's bankers on the day. The interest, calculated to the nearest pound, shall be payable in respect of complete years and continue to be payable in respect of any outstanding balance until such time as the amount in arrears, including interest, is settled in full.</p>	<p>F. Arrears of Contribution²</p> <p>1. If a Contracting Government's annual payments have not been received by the Commission by 31 days after the due date referred to under Regulation E.2. a penalty charge of 10% shall be added to the outstanding annual payment on this date. If the payment remains outstanding for a further 12 months after the due date compound interest shall be added on the anniversary of that day and each subsequent anniversary thereafter at the rate of 2% above the base rate quoted by the Commission's bankers on the day. The interest, calculated to the nearest pound, shall be payable in respect of complete years and continue to be payable in respect of any outstanding balance until such time as the amount in arrears, including interest, is settled in full.</p>

No revisions to the due date for new Contracting Governments as described in Financial Regulation E.3 were proposed.

² For the purposes of the Financial Regulations the expression 'received by the Commission' means (1) that confirmation has been received from the Commission's bankers that the correct amount has been credited to the Commission's account via bank transfer, (2) that a cheque, banker's draft or international money order of the correct value has been paid into the Commission's bank and cleared, or (3) that the Secretariat has in its possession cash of the correct value.

4.1.2 *F&A Committee discussions and recommendations*

Cameroon informed the Committee that at a meeting of African members of the IWC in Rabat, Morocco in May, there had been agreement that the IWC's current procedures with respect to non- or late payment of financial contributions impose double sanctions in the form of both penalty interest and loss of voting rights. These countries considered this to be unfair and believed that the Commission should only apply a single sanction as is usually the case in other intergovernmental organisations. Cameroon explained the difficulty it faces paying its financial contribution by the due date caused largely by the difficulty of mobilising funds given that this date falls within 2 months of the beginning of its financial year. Unexplained delays in the actual transfer of funds through the banking process are also a contributory factor. For these reasons, Cameroon noted that it has incurred both penalty interest and loss of voting rights for several years and requested that the due date be put back from 28 February to 30 April. Côte d'Ivoire, Palau and St. Kitts and Nevis associated themselves with these remarks.

A number of countries expressed sympathy with the situation faced by some developing countries and agreed that the application of double sanctions could be seen as unfair. One country however continued to support the retention of both penalties but supported the revisions proposed by the Secretariat.

Japan suggested that consideration could be given to retaining the current due date and rules on loss of voting rights but removing the imposition of penalty interest, noting that the IWC's budget is not dependent on the receipt of penalty interest (which the Secretariat confirmed is up to £20,000 per year). With respect to problems incurred by exchange rate fluctuations, it questioned whether underpayments of financial contributions because of such fluctuations might be absorbed by the General Fund. St. Kitts and Nevis suggested that problems created by exchange rate fluctuations could be avoided by making transfers in pounds sterling rather than local currencies.

While there was some support for Japan's proposals, Cameroon remained interested in changing the due date for financial contributions. The F&A Committee **agreed** that Cameroon, Japan and any other interested country should work together to explore these different options with a view to presenting a single proposal to the Commission in plenary.

4.2 **The Interim Measure and assessment for St. Vincent and The Grenadines**

At last year's meeting St. Vincent and The Grenadines noted that although it falls into capacity to pay Group 1 described in the interim measure because it has an aboriginal subsistence hunt its financial contributions assessed under the Interim Measure are higher than those in Group 2 and almost as high as some of those in Group 3. It considered this situation to be inequitable and reported that it will submit a proposal on how its contributions might be reduced for consideration by the Commission at IWC/62.

While no written submission had been made to the Committee by St. Vincent and The Grenadines, it had planned to attend the F&A Committee to present a proposal. Unfortunately its arrival in Agadir had been delayed due to an airport strike and representative from St. Kitts and Nevis spoke instead on this matter. St. Kitts and Nevis recalled that the main reason that the Commission had adopted the Interim Measure was to put in place a financial contribution scheme that recognized the capacity-to-pay of member governments. While this measure had led to significant reductions in the financial contributions of most developing countries, the contributions of St. Vincent and The Grenadines remain high because it is a whaling country. Given that St. Vincent and the Grenadines falls into the lowest capacity-to-pay group and that its aboriginal subsistence hunt is very small compared to other such hunts (it has a quota for only 4 whales per year), St. Kitts and Nevis suggested that this situation is not equitable and suggested that the Commission waive the share portion attracted by St. Vincent the The Grenadines because of its aboriginal subsistence whaling. The F&A Committee **agreed** that the Secretariat should explore the financial implications to other countries of such a move and report to the Commission in plenary.

5. **FINANCIAL STATEMENTS, BUDGETS AND OTHER MATTERS ADDRESSED BY THE BUDGETARY SUB-COMMITTEE**

5.1 **Review of the Provisional Financial Statement, 2009-2010**

5.1.1 *Report of the Budgetary Sub-committee*

The report of the Budgetary Sub-committee was introduced by its Chair Andrea Nouak. The Provisional Financial Statement presented in IWC/62/5rev had been circulated to the Sub-committee in April 2009. It had been accompanied by fairly extensive notes and explanations. No comments had received prior to the meeting. It drew attention to the key points made in that statement as shown below:

Income and Expenditure Account

Income – exceeds budget by £53k the chief factors being: (1) interest on late contributions; and (2) increase in voluntary contributions.

Expenditure - Expenditure is projected to exceed budget by £25k due to increases in Secretariat costs of £57k and Small Cetacean costs of £6k which were offset by a lower than budgeted Other Meetings costs (i.e. by £38k)

Provisions—are projected to be under budget by £ 97k due to significant changes to Secretariat Staff and a resulting decrease in the amount to be provided for severance pay.

Result for the year –a projected excess of expenditure over income of £ -165k which, after transfers between funds, translates into a deficit of £ -176k.

The balance on the General Fund is projected at about £ 997k at the end of the current financial year (31 August 2010). This represents about 98% of the target level (6 months expenditure: £ 2,034k-x 50%).

The Secretariat reported that the following increases in income are anticipated:

- **Voluntary Contributions**

EUR 6k is expected from Italy to cover the cost of Small Cetacean Invited Participants from African nations.

EUR 22k is expected from France³ to the Small Cetaceans Fund (EUR 10k) and the work of the Conservation Committee (EUR 12k).

The BSC noted that the projected out-turn for 2009-2010 is a generally satisfactory situation as currently presented with no problems foreseen. It accordingly recommended to the F&A Committee that the Provisional Financial Statement (Appendix 4) is forwarded to the Commission with a recommendation that it be approved subject to audit.

5.1.2 *Secretary's report on the collection of financial contributions*

The Secretariat referred to document IWC/62/F&A 5 and reported that 18 countries had financial contributions and/or accrued interest outstanding amounting to £ 367k.

In response to a question from the floor the Secretariat noted that there were more countries listed in the report for 2010 than 2009, but that the increase was not significant.

The F&A Committee noted the Secretary's report.

5.1.3 *Summary of Recommendations to the Commission*

The F&A Committee **recommends** that the Provisional Financial Statement (Appendix 4) is approved by the Commission subject to audit and further **recommends** that the Commission takes note of the "Secretary's report on the collection of financial contributions".

5.2 Secretariat offices

The BSC Chair reported that the lease on the Secretariat's current offices (The Red House) expired on 17 March 2009. The year before last the Commission agreed that the lease should be re-negotiated. The new lease was finally agreed in December 2009. The terms of the new 10 year lease result in an annual rent of £ 60k per annum (a 20% reduction on the previous rent of £ 75k per annum), fixed for 5 years, after which the rent will be subject to a rent review, which may give rise to an increase, if market conditions at that time so dictate. The terms of the lease also include a "tenant's break clause" after 5 years, which gives the Commission the chance not to take up the option to rent for a further 5 years.

The F&A Committee noted this part of the report.

³ This has now been received.

5.3 Consideration of estimated budgets, 2009/2010 and 2010/2011, including the budget for the Scientific Programme

5.3.1 Report of the Budgetary Sub-committee

Review of the Proposed Budget for 2009-2010 and the *forecast budget 2010-2011* (Appendix 5).

The BSC Chair highlighted the main factors affecting their formulation as follows:

Proposed Budget 2010-2011

Income and Expenditure Account

Income – is projected to increase overall by about 15% (from £1.869k in the 2009-2010 Forecast Out-turn to £ 2,159k in the proposed budget for 2010-2011). This is largely made up of increases in Financial Contributions, staff assessments and in bank interest receivable, offset by a reduction in other sources of income.

Contracting Government Contributions - the total contributions required from Contracting Governments is increased for 2010- 2011 to £ 1,869k (from £ 1,533k in the 09/10 Forecast Out-turn). This represents a total increase of around 21%.

The forecast budget is decreased for 2011-2012 by 5%.

Expenditure – 2.4% has generally been used to allow for cost increases for 2010–2011 (and for 2011-2012) except where there are positive indications that different levels are required. This reflects current levels of inflation in the UK. Expenses are generally expected to be much the same as last year, with the exception of a proposed allocation of £ 100k for intersessional meetings and activities relating to discussions on the future of the IWC plus the proposed recruitment of a new member of staff to provide support to the Head of Science (in view of the growing workload of the Scientific Committee) and the new Secretary (with costs in the order of £65k including salary and benefits).

With respect to expenditure, in justifying the proposed new member of staff, the Secretary noted that since 2000 the organisation's membership has more than doubled with no increase in the number of Secretariat staff. She noted that in addition to the increased workload created as a result of the increased membership, workload had also increased due to the increased activity of the Scientific Committee and the Commission. While the Secretariat had been able to initially absorb the increased workload, this had become increasingly difficult in recent years. While in general deadlines and commitments are being met, this is being achieved at a cost with senior members of staff not being able to take their full allocation of annual leave and time in lieu. The Secretary also reported that the change in the type of work being done by the Commission necessitates more professional level-staff. She noted that the cost of a new professional-level post might be offset in the near future through staff retirements coupled with re-organisation of duties.

The forecast budget is intended to show the general trend in reserve levels where a budget surplus is shown for 2010-2011 and a deficit is shown for 2011-2012.

Projected result for the year(s)

	2010-2011	2011-2012
Balance of income and expenditure (deficit)	57,620	-8,140
Surplus/ (Deficit) after transfers between Funds	52,570	-13,200

General Fund Reserves

	2010-2011	2011-2012
Projected balance on General Fund at year-end	1,049,740	1,036,600
Target level – approximately 6 months costs	1,051,175	1,038,000
% of Target level	99.8	99.8

Reserves

Concern was expressed at IWC57 in 2005 that the level of reserves should be brought more in line with the “target level” of 50% of operating expenditure in any year (at that time the reserves were well above the target level). This has resulted in the adoption by the Commission of deficit budgets since then. The proposed budget for 2010/11 as currently drafted produces a small operating surplus.

In recent years the reserves have been in excess of the target level due mainly to new governments adhering to the Convention each year after budgets have been agreed, interest received from late-paying governments, favourable levels of bank interest received and re-payments of old debts by existing members. Despite the Commission adopting deficit budgets with the intention of reducing the reserves to the target level, the actual results for the past few years have continued to produce surpluses because of the factors mentioned above.

The Forecast Out-Turn for the current financial year 2009/10 predicts a lower deficit than planned with the approved budget. This has been due to increased income (mainly interest on late contributions) plus a large write back of provisions (mainly due to long serving staff leaving the Commission – principally the current Secretary) significantly exceeding cost increases (mainly due to changing staff e.g. recruitment). These changes result in a projected General Fund closing balance of 49% of operating expenses for 2009/10 (i.e. 98% of the target level).

The effect of the reserves in 2009/10 being reduced to near the target level of 50% of operating costs is that, expenditure for 2010/11 and 2011/12 will have to be mainly funded by Financial Contributions, i.e. if reserves are to be maintained, they will not be available to use to fund expenditures.

If the IWC is to hold further intersessional meetings or undertake other activities in 2010/11 in relation to the future of the organisation and other expenditure is expected to rise broadly with inflation, then Financial Contributions would have to rise significantly in 2010/11 (around 21%) followed by a reduction in 2011/12 (around -5%) to keep reserves at or near the target level of 50% of operating costs in each financial year.

The wide variety of scenarios that are under consideration in discussions relating to the future of the organisation create difficulties in proposing budgets. The proposed budget and forecast budget as presented seek to raise funds when they are needed (as favoured by some Contracting Governments) rather than allowing reserves to grow and act as a buffer so that future cost increases can be absorbed more easily.

To try to strike a balance between affordability for member governments and viability for the IWC (i.e. maintaining adequate reserves), alternative increases in total financial contributions of 9.5% per annum over a three year period were suggested by the Secretariat as an option for consideration. This phasing of increases in financial contributions, when applied to expenditure in the proposed budget, the forecast budget and an alternative budget for the third year (based on the forecast budget), would bring the General Fund back to the target level of 50% of operating expenses at the end of the third year.

This three-year scenario would depart from the Commission’s policy of setting the reserves at 50% of operating costs per financial year and significantly defers achieving this level. However, any decline in the level of reserves even of a temporary nature should be considered in the context of the effective running of the IWC and its ability to meet unplanned/unexpected expenditure.

During discussions in the Sub-committee on the proposed budget the following points were highlighted:

- (1) That the expenditure of £ 100k on intersessional meetings (or related activity) could only be justified if an agreement about the future of the organisation was achieved at IWC62 and any such intersessional meetings were to support implementation of such an agreement.
- (2) That the approval of a new post (costing £ 65k per annum including salary and benefits) to support the Head of Science and the Secretary could only be justified in the opinion of several delegations if an agreement about the future of the organisation was achieved at IWC62 and the new person had a significant part to play in the implementation of such an agreement.
- (3) That income in a given year must be just sufficient to cover expenditure.
- (4) That a 21% increase in financial contributions used as an example in the proposed budget is too large.
- (5) That in general the IWC should strive not to increase financial contributions.
- (6) That reserve levels were too high and should be reduced to a UN norm of one twelfth of operating expenditure with current reserves being used to meet increased costs or to reduce financial contributions.

- (7) That around £ 200k could be removed from financial contributions as shown in the proposed budget by deleting the £ 100k proposed expenditure for intersessional meetings, by eliminating £ 65k for the proposed new employee and by eliminating the £ 57k surplus that was shown in the proposed budget.
- (8) That additional funds might be available from the £ 374k of outstanding financial contributions shown on document IWC/62/F&A5 (draft) that was circulated to BSC members.
- (9) That in times of economic uncertainty, the difficulty of collecting financial contributions was likely to increase and so keeping reserve levels at 50% or operating costs is appropriate.
- (10) That the £ 374k of outstanding financial contributions shown on document IWC/62/F&A5 (draft) included a debt of £ 195k from a single Contracting Government, the recovery of which was very unlikely.
- (11) That UN backed organisations may be significantly different in their ability to access funds and that low reserve levels might suggest the ability to source emergency funding when needed. The IWC only has its General Fund to fall back on.
- (12) That punitive increases in financial contributions to allow income to match expenditure in a given year can be moderated by setting financial contributions at a level to allow target reserve levels to be achieved over say 3 years.
- (13) That if the reserve target is to be achieved, then surpluses in some years will be necessary to recover losses in previous years.
- (14) Precision in IWC budgeting has been difficult to achieve in recent years. While actual expenditure has been mainly in line with budget, income and provisions have fluctuated according to circumstances from year to year. Again the holding of reasonable reserves may be regarded as prudent to deal with peaks and troughs arising from variations in income and provisions which cannot be realistically anticipated.

The BSC noted the comments expressed by some members, and given the status of discussions regarding the future of the organization, no agreement could be reached on an appropriate level of expenditure for the year ahead. The BSC therefore recommended that the F&A Committee note the comments made by them with respect to the proposed budget.

With respect to the **Research Budget for 2010-2011** (Appendix 6), the Chair of the BSC, introduced the Scientific Committee's proposals for research funding for 2010-2011. She noted that the Scientific Committee had identified projects totalling £316,700 which it considered necessary to properly carry out the Commission's requirements. She further noted that the budget request was slightly higher than the initial figure of £315,750 included in the Financial Statements document IWC/62/5(rev). She further-reported that the Small Cetacean and Climate Change Workshop which did not take place because of funding problems was now possible to run as funding from outside of the IWC had been found. There were no questions from the BSC.

Regarding **fees for observers**, the Secretariat noted that in 1992 the Commission decided that fees for observers from non-member Governments and intergovernmental organisations should be held constant at £800 while the fee for NGO observers should increase annually. A new procedure for setting NGO registration fees was agreed at IWC59 (i.e. per individual observer rather than per organization). In previous years NGO fees were increased in line with UK inflation. For 2010/11 it is proposed that NGO fees again increase in line with UK inflation set at 2.4%. Thus the NGO registration fee for 2010/11 would be set at:

- £ 520 for the first observer, and
- £ 260 for each additional observer.

There will be no charge for interpreters (each NGO will normally be restricted to one interpreter per organization).

The Budgetary Sub-committee accepted these proposals. Regarding **press fees**, the Sub-committee also accepted the increase proposed by the Secretariat from £ 60 to **£65**.

Apart from agreeing new fee levels for NGOs and the press, because of the uncertainty regarding the outcome of discussions on the future of the organisation, the BSC did not feel able to propose a budget for 2010/11 or a forecast budget for 2011/13. It agreed to report its discussions to the F&A Committee.

5.3.2 F&A Committee discussions and recommendations

The Chair of the F&A Committee noted the difficulty of proposing a budget to the Commission before the outcome of the discussions on the future of the organization is known, but stressed the importance of developing some alternative budget scenarios that could be considered once further clarity is achieved. She suggested that these budget scenarios would be along the lines of those described in item 3.1 above.

The Secretariat introduced two additional scenarios, i.e. in addition to that described in item 5.3.1 above. These are included as Appendices 7 and 8.

Scenario 1

Scenario 1 is intended to avoid increases in Financial Contributions for individual Contracting Governments above the 2009-2010 level but at the same time to cut costs to moderate the effects on reserves. It takes the proposed budget as per the Financial Statements document IWC62/5rev amended as follows:

- Financial contributions per Contracting Government are kept at or near 2009-2010 levels;
- The proposed recruitment of a scientist to the Secretariat is removed (£ 65k saved);
- The Annual Meeting Budget was cut by 10% (£ 37.5k saved);
- The budget for intersessional work associated with work on the future of the organisation is removed (£ 100k saved);
- The Research Budget is cut by 10% (£ 31.5k saved).

The reduction of £ 302k in Financial Contributions combined with cost reductions of £234k produces a deficit of £20k (before transfers between funds).

Scenario 2

This scenario is intended to show the possibility of spreading increases in Financial Contributions over 3 years to bring reserves back to the target of 50% of operating costs by the end of 2012-2013. In this scenario, there is the addition of an “alternative budget” for 2012-2013 and amendments to the proposed and forecast budgets as per the Financial Statements document IWC62/5rev as follows:

- Financial Contributions for 2010-2011 (proposed budget), 2011-2012 (forecast budget) and 2012-2013 (alternative budget) are increased by 9.5% per annum (year on year);
- The proposed recruitment of a scientist to the Secretariat is retained (approx. £ 65k per year, all years);
- The budget for intersessional work associated with work on the future of the IWC of £100k for 2010-2011 only, is retained.
-

The proposed budget for 2010-2011 and the forecast budget for 2011-2012 as per the Financial Statements document IWC62/5rev, set Financial Contributions at a level sufficient to bring reserves to the target level in each year. This resulted in an increase in Financial Contributions for 2010-2011 of around 21%, followed by a reduction of around 5% in 2011-2012.

The Secretariat noted that the close matching of income to expenditure each year is an approach favoured by some governments, even though this can result in large fluctuations from year to year as shown in the Financial Statements document IWC62/5rev. Other governments favoured more gradual changes to Financial Contributions so that any fluctuations in expenditure can be smoothed by the use of reserves.

The question was raised as to whether income might be increased through increased sales of publications. The Secretariat noted that this might be possible, though the effect would be modest.

Discussion focused initially on the savings that might be made if the Commission moved to meeting biennially, which was the strong preference of some members regardless of outcome of the discussions on the future of the organisation. Others however noted that given that the discussions on IWC's future are ongoing, it is not possible to discuss whether or not certain budgetary provisions should be included (e.g. additional staff, provision for intersessional activity), focused on the need for good budgetary management. In this respect it was suggested that in general, governments prefer to have some stability in payments they are required to make and that the approach taken in scenario 2 addressed this preference. Noting these remarks the Chair proposed that the Secretariat develop two further scenarios to include the option for biennial meetings of the Commission but continued annual meetings of the Scientific Committee. These would be available for review by the Commission in plenary. The F&A Committee agreed. Several countries considered that annual meetings of the Conservation Committee should also be considered although others believed that annual meetings of other Committees would not result in the savings being sought by moving to biennial meetings.

In summary, the F&A Committee **recommends** that:

- Further consideration on the proposed budget for 2009-2010 (Appendix 5) be undertaken following further discussion about the future of the organisation;
- That for 2010-2011, the NGO fee be set at **£520** for the first observer from an organisation and at **£260** for each additional observer and the press fee be set at **£65**.

5.4 Other

5.4.1 Budgetary Sub-committee Operations

Membership and open seats

The BSC Chair reported that the situation regarding membership of the BSC and allocation of open seats was reviewed. A table prepared by the Secretariat shows the provisional membership of the BSC up to 2012 – 2013 (see Appendix 9).

Of the countries shown in Appendix 9, Panama, Peru, Cyprus and Greece were approached by the Secretariat in late May 2009 and reminders were sent in May 2010 to enquire as to whether they were interested in taking up membership of the BSC. No responses had been received at the time of the meeting. Assuming that Panama, Peru, Cyprus and Greece do not wish to participate in the work of the BSC, the Secretariat will contact the other candidate countries to ascertain their interest in their participation in the BSC's work.

With respect to the open seats which are currently vacant, expressions of interest in taking up seats for a term of two years (i.e. 2010/11 and 2011/12) were received from St. Kitts and Nevis and Switzerland in response to a May 2010 Circular Communication. The allocation of the open seats to these two countries was confirmed by the F&A Committee.

Election of a Vice-Chair

Noting that Thomas Schmidt would be unable to continue as the BSC Vice-Chair after IWC62, the F&A Committee Chair invited eligible volunteers. The Committee gratefully accepted Switzerland's offer to fill the post.

5.4.2 Funding of work on conservation

Belgium noted that there are "two pillars" to the IWC (i.e. management and conservation) and made reference to a document it had submitted to the Commission at IWC/60 in 2008 (IWC60/14/rev) that explored different ways that the IWC might change its approach to budgeting to better reflect the "two pillars". It further noted that currently, conservation work relies mainly on voluntary contributions which it believed gave ownership to the donors rather than to the organisation as a whole and gave additional work to the Secretariat in the administration of such funds. Belgium therefore proposed that a small group of members, to work by correspondence, be established to examine ways on how to integrate conservation funding into the overall budget. France, Australia, the UK, Germany, Costa Rica, the USA and Monaco supported this proposal and indicated their interest in joining the group. The USA noted that discussions would be influenced greatly by the outcome of the discussions on the future of the organisation and should take account of this in its work. The F&A Committee **recommends** the formation of this small group to the Commission. The Chair of the Committee requested that interested parties develop Terms of Reference for the group for review by the Commission in plenary.

6. OTHER MATTERS

There were no other matters.

7. ADOPTION OF REPORT

The report was adopted 'by post' on 20th June 2010.

Appendix 1 List of participants

Australia
Stephen Bouwhuis
Peter Komidar
Pam Eiser

Austria
Andrea Nouak

Belgium
Alexandre de Lichtervelde

Cambodia
Ing Try

Cameroon
Baba Malloum Ousman

Chile
Marcela Zamorano

Czech Republic
Pavla Hycova

Denmark
Ole Samsing

Finland
Esko Jaakkola
Penina Blankett

France
Stephane Louhaur
Martine Bigan

Germany
Thomas Schmidt
Monika Roemerscheidt

Iceland
Asta Einarsdottir

Italy
Rosa Caggiano

Japan
Hideaki Okada
Toshinori Uoya
Yutaka Aoki
Daisuke Kiryu
Joji Morishita

Korea
Hyun-Jin Park
Zang-Geun Kim
Chul-Woo Lee
Sang-Joon-Hong

New Zealand
Geoffrey Palmer
Jan Henderson
Gerard van Bohemen
Mike Donoghue

Monaco
Frederic Briand

Mexico
Lorenzo Rojas Bracho

Norway
Einar Tallaksen
Ole David Stenseth

Palau
Victorio Uherbelau

Portugal
Jorge Palmeirim
Marina Sequeira

South Africa
Herman Oosthuizen

Spain
Carmen Asencio

Sweden
Stellan Hamrin
Bo Fernholm

Switzerland
Martin Krebs

UK
Nigel Gooding
Sarah Archer
Jolyon Thomson
Jennifer Lonsdale
Mark Simmonds

USA
Ryan Wulff
Elizabeth Phelps
Roger Eckert
DJ Schubert
Michael Tillman
Bob Brownell

IWC Secretariat
Nicky Grandy
Simon Brockington
Sean Moran

Appendix 2 LIST OF DOCUMENTS

		Agenda item
IWC/62/F&A	1 Draft Agenda	
	2 List of Documents	
	3 Exploration of the due date for the payment of financial contributions, imposition of penalty interest and proposed amendments to the Commission's Financial Regulations	4.1
	4 Proposed amendment to Rule of Procedure J. Schedule amendments, recommendations under Article VI and Resolutions	
	5 Secretary's report on the collection of Financial Contributions for 2009-2010	
	6 Report of the Budgetary Sub-committee	
	7 Scientific Committee Invited Participants	
Commission Documents		
IWC/62/	Rep1 Report of the Scientific Committee [Extracts: Item 24]	3.1
	10 Cost estimates for a monitoring, control and surveillance scheme of possible whaling operations and how costs might be apportioned (Secretariat)	
IWC/60/	14rev Future IWC work on cetacean conservation issues including budgetary implications (Belgium)	

Appendix 3

FINANCE AND ADMINISTRATION COMMITTEE

AGENDA

1. INTRODUCTORY ITEMS

- 1.1 Appointment of Chair
- 1.2 Appointment of Rapporteurs
- 1.3 Review of Documents

2. ADOPTION OF THE AGENDA

3. ADMINISTRATIVE MATTERS

- 3.1 Implications of discussions on the future of IWC
- 3.2 Amendments to the Rules of Procedure, Financial Regulations and Rules of Debate
- 3.3 Other

4. FORMULA FOR CALCULATING CONTRIBUTIONS AND RELATED MATTERS

- 4.1 Due date for financial contributions
- 4.2 The Interim Measure and assessment for St. Vincent and The Grenadines
- 4.3 Other

5. FINANCIAL STATEMENTS, BUDGETS AND OTHER MATTERS ADDRESSED BY THE BUDGETARY SUB-COMMITTEE

- 5.1 Review of the provisional financial statement, 2009/2010
 - 5.1.1 Report of the Budgetary Sub-committee
 - 5.1.2 Secretary's report on the collection of financial contributions
- 5.2 Secretariat offices
- 5.3 Consideration of the proposed budget for 2010/2011, including the budget for the Scientific Programme, and the forecast budget for 2011/2012
 - 5.3.1 Report of the Budgetary Sub-committee
 - 5.3.2 F&A Committee discussions and recommendations
- 5.4 Other

6. OTHER MATTERS

7. ADOPTION OF THE REPORT

TERMS OF REFERENCE

The Finance and Administration Committee shall advise the Commission on expenditure, budgets, scale of contributions, Financial Regulations, staff questions, and such other matters as the Commission may refer to it from time to time (*Rules of Procedure, Rule M.8*).

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 the Technical Committee, and to any meetings of subsidiary groups of the Commission and the Technical Committee, **except the Commissioners-only meetings and the meetings of the Finance and Administration Committee.**

Appendix 4

Provisional Financial Statement 2009-2010

Income and Expenditure Account

	Approved Budget		Projected Out-turn	
Income	£	£	£	£
		1,533,000		
Contracting Government contributions				1,533,000
Recovery of Arrears		0		0
Interest on overdue financial contributions		0		33,800
Voluntary contributions		2,000		15,750
Sales of publications		18,900		18,900
Sales of sponsored publications		1,000		1,000
Observers' registration fees		50,300		50,300
UK taxes recoverable		22,000		22,020
Staff assessments		172,500		186,800
Interest receivable		16,200		7,520
Sundry income		500		0
		<u>1,816,400</u>		<u>1,869,090</u>
Expenditure				
Secretariat	1,153,300		1,210,200	
Publications	38,500		38,600	
Annual meetings	365,700		365,700	
Other meetings	198,000		159,800	
Research expenditure	308,500		308,340	
Small cetaceans	1,000		7,000	
Sundry	0		0	
	<u>2,065,000</u>		<u>2,089,640</u>	
Provisions				
Unpaid interest & overdue contributions	0		11,730	
Severance Pay Provision	41500		-67,500	
Provision for other doubtful debts	<u>0</u>		<u>0</u>	
		<u>2,106,500</u>		<u>2,033,870</u>
Excess of expenditure over income		-290,100		-164,780
Net Transfers from or to (-):				
Sponsored Publications Fund		-1,700		1,160
Research Fund		-4,600		7,220
Small Cetaceans Fund		<u>-150</u>		<u>2,960</u>
Surplus/Deficit (-) for the year after transfers		<u>-296,550</u>		<u>-176,120</u>

Appendix 5

Proposed Budget 2010 - 2011; Forecast 2011 - 2012

Income and Expenditure Account

	Proposed Budget 2010-2011		Forecast Budget 2011-2012	
Income	£	£	£	£
Contracting Government contributions		1,869,250		1,768,800
Recovery of Arrears		0		0
Interest on late financial contributions		0		0
Voluntary contributions		2,000		2,000
Sales of publications		15,000		15,000
Sales of sponsored publications		500		500
Observers' registration fees		45,300		45,300
UK taxes recoverable		22,000		22,000
Staff assessments		192,320		200,650
Interest receivable		13,600		13,600
Sundry income		0		0
		<u>2,159,970</u>		<u>2,067,850</u>
Expenditure				
Secretariat	1,202,600		1,245,800	
Publications	39,550		40,500	
Annual meetings	374,500		383,500	
Other meetings	142,000		43,000	
Research expenditure	315,750		323,300	
Small cetaceans	1,050		1,050	
Sundry	0		0	
	<u>2,075,450</u>		<u>2,037,150</u>	
Provisions				
Unpaid interest on overdue contributions	0		0	
Severance Pay Provision	26,900		38,850	
Provision for other doubtful debts	0		0	
		<u>2,102,350</u>		<u>2,076,000</u>
Excess of expenditure over income		57,620		-8,150
Net Transfers from or to (-):				
Sponsored Publications Fund		600		600
Research Fund		4,000		4,000
Small Cetaceans Fund		450		450
Surplus/Deficit (-) for the year after transfers		<u>52,570</u>		<u>-13,200</u>

Appendix 6
Scientific Committee funding requirements for 2010-2011

	Annex	Short title	Requested (£)
RMP			
1	Annex D	Analysis and use of time-series of data on calving rates and intervals for use in the MSYR review	7,000
NPM			
2	Annex D1	Pre-meeting and 1st Intersessional workshop towards Implementation Review for WNP common minke whales	25,000
AWMP			
3	Annex E	AWMP Workshop on Greenlandic fisheries and preparing for gray whale <i>Implementation Review</i>	12,000
4	Annex E	AWMP developers fund	8,000
BRG			
5	Annex F	Southern Ocean right whale photo-identification catalogue	3,800
IA			
6	Annex G	Investigate the relationship between sea ice characteristics and Antarctic minke whale abundance estimates	5,000
7	Annex G	Resolving differences in minke whale abundance estimates	15,000
8	Annex G	Import of 2009/10 SOWER data and assist abundance working group	3,000
9	Annex G	North Pacific sighting cruise	58,000
10	Annex G	Workshop to plan medium-long term North Pacific sighting survey programme	7,000
11	Annex G	Statistical catch-at-age estimators for Antarctic minke whales	2,500
SH			
12	Annex H	Southern Hemisphere Blue Whale Catalogue Project	18,900
13	Annex H	Modelling of Southern Hemisphere humpback whale populations	3,000
14	Annex H	Antarctic humpback whale catalogue	15,000
BC			
15	Annex J	Further development and maintenance of the IWC ship strike database	5,000
16	Annex J	Development of an online submission database for Progress Reports	5,000
E			
17	Annex K	Risk assessment modelling to determine the impact of pollutants on cetacean populations	52,500
18	Annex K	State of the Cetacean Environment Report (SOCER).	3,000
WW			
19	Annex L	Data compilation and power analyses for the LaWE	4,000
ALL			
20		Invited Participants to the 2011 Annual Meeting.	64,000
Total			316,700

Appendix 7

Alternative Budget Scenarios – Scenario 1

NOTES - Changes to the proposed budget include: Keep Financial Contributions per CG at 09/10 levels
 No additional staff member - cost reduction £ 65k
 No intersessional work for 10/11 - cost reduction £ 100k
 Reduce Annual Meeting Budget by 10% - cost reduction £ 37.5k
 Reduce Research Expenditure - £ 31.5k

Income and Expenditure Account

Proposed Budget 2010 (revised)

Keep Financial Contributions per CG at 09/10 levels
Reduce costs to moderate effects on reserves

	Proposed Bu 2010-2011 £	Prop Bu Var'n 1 2010-2011 £	Prop Bu Orig-Var1	Description of Changes
Income				
Contracting Government contributions	1,869,250	1,567,000	302,250	<i>FC's at 09/10 levels</i>
Recovery of Arrears	0	0	0	
Interest on late financial contributions	0	0	0	
Voluntary contributions	2,000	2,000	0	
Sales of publications	15,000	15,000	0	
Sales of sponsored publications	500	500	0	
Observers' registration fees	45,300	45,300	0	
UK taxes recoverable	22,000	22,000	0	
Staff assessments	192,320	182,320	10,000	<i>Red'n £ 10k as new empl n/a</i>
Interest receivable	13,600	13,600	0	
Sundry income	0	0	0	
	2,159,970	1,847,720	312,250	
Expenditure				
Secretariat	1,202,600	1,137,600	65,000	<i>£65k for add person removed</i>
Publications	39,550	39,550	0	
Annual meetings	374,500	337,050	37,450	<i>AM @ 90% of PropBu 10/11</i>
Other meetings	142,000	42,000	100,000	<i>£100k for i/s removed</i>
Research expenditure	315,750	284,175	31,575	<i>RES @ 90% of PropBu 10/11</i>
Small cetaceans	1,050	1,050	0	
Sundry	0	0	0	
	2,075,450	1,841,425	234,025	
Provisions				
Unpaid interest on overdue contributions	0	0	0	
Severance Pay Provision	26,900	26,900	0	
Provision for other doubtful debts	0	0	0	
	2,102,350	1,868,325	234,025	
Surplus / (- deficit)	57,620	-20,605	78,225	

Net Transfers from or to (-):

Sponsored Publications Fund

Research Fund

Small Cetaceans Fund

Surplus/Deficit (-) for the year after transfers

Appendix 8 Alternative Budget Scenarios – Scenario 2

NOTES: In the Proposed Budget and Forecast Budget as shown in the Financial Statements Document IWC/62/5rev, Financial Contributions were calculated to produce reserves at the target level. Scenario 2 shows Financial Contributions calculated to restore the reserves to the target level over 3 years. The "alternative budget" for 2012/13 is based on the forecast budget for 2011/12 with appropriate levels of inflation being applied to different variables.

INCOME AND EXPENDITURE ACCOUNT	PropBu 2010/11	FC incr 9.5% PropBuVer2 2010/11	FcstBu 2011/12	FC incr 9.5% FcstBuVer2 2011/12	AltBu 2012/13	FC incr 9.5% AltBuVer2 2012/13
INCOME: continuing operations						
Contributions from member governments	1,869,250	1,677,874	1,768,799	1,836,433	1,886,252	2,009,994
Recovery of Arrears	0	0	0	0	0	0
Interest on overdue financial contributions	0	0	0	0	0	0
Voluntary contributions for research, small cetaceans work and publications	2,000	2,000	2,000	2,000	2,000	2,000
Sales of publications	15,000	15,000	15,000	15,000	15,000	15,000
Sales of sponsored publications	500	500	500	500	500	500
Observers' registration fees	45,300	45,300	45,300	45,300	45,300	45,300
UK taxes recoverable	22,000	22,000	22,000	22,000	22,000	22,000
Staff assessments	192,310	192,310	200,630	200,630	208,624	208,624
Interest receivable	13,600	13,600	13,600	13,600	13,600	13,600
Sundry income	0	0	0	0	0	0
	2,159,960	1,968,584	2,067,829	2,135,463	2,193,276	2,317,018
EXPENDITURE						
Secretariat	-1,202,620	-1,202,620	-1,245,780	-1,245,780	-1,293,411	-1,293,411
Publications	-39,530	-39,530	-40,490	-40,490	-41,462	-41,462
Annual meetings	-374,480	-374,480	-383,470	-383,470	-392,673	-392,673
Other meetings	-142,000	-142,000	-43,000	-43,000	-44,032	-44,032
Research expenditure	-315,740	-315,740	-323,320	-323,320	-331,080	-331,080
Small cetaceans	-1,050	-1,050	-1,050	-1,050	-1,050	-1,050
	-2,075,420	-2,075,420	-2,037,110	-2,037,110	-2,103,707	-2,103,707
Provision made for:						
Unpaid contributions	0	0	0	0	0	0
Unpaid interest on overdue contributions	0	0	0	0	0	0
Severance Pay Provision	-26,900	-26,900	-38,860	-38,860	-46,200	-46,200
Provision for other doubtful debts	0	0	0	0	0	0
	-2,102,320	-2,102,320	-2,075,970	-2,075,970	-2,149,907	-2,149,907
Surplus / (- deficit)	57,640	-133,736	-8,141	59,493	43,369	167,111
NET TRANSFERS FROM (TO) FUNDS						
Publications fund	-600	-600	-600	-600	-600	-600
Research Fund	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000
Small cetaceans fund	-450	-450	-450	-450	-450	-450
	-5,050	-5,050	-5,050	-5,050	-5,050	-5,050
(SURPLUS) / DEFICIT FOR THE YEAR AFTER TRANSFERS	52,590	-138,786	-13,191	54,443	38,318	162,060
Target level of General Fund is 50% of Operating Expenses in any year						
Operating expenses	2,102,320	2,102,320	2,075,970	2,075,970	2,149,907	2,149,907
Operating expenses * 50%	1,051,160	1,051,160	1,037,985	1,037,985	1,074,954	1,074,954
General Fund	1,049,826	858,450	1,036,635	912,893	1,074,953	1,074,953
General Fund / OpExp * 50%	100%	82%	100%	88%	100%	100%
Amount required to reach target GF level	1,334	192,710	1,350	125,092	0	0

Appendix 9 - Current and future membership of Budgetary Sub-committee as at June 2010 compared to June 2009 and June 2008

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**Membership of Budgetary Sub-committee
based on Contracting Governments as at**

June 2008			
	Term of membership (years)	Current membership* 2007-2008	Participants at IWC60
Group 1	3	Benin(3) Gabon(3)	no no
Group 2	3	Morocco(1) Monaco (resigned)	no no
Group 3	3	Belgium(2) Denmark(2)	yes no
Group 4	3	Germany(3) Japan USA	yes yes yes
Open seats	2	<i>vacant</i>	no
Chair		Joji Morishita (Japan)	yes
Vice-Chair		Andrea Nouak (Austria)	yes

* Number in brackets indicates how many years a country has already been a member

**Membership of Budgetary Sub-committee
based on Contracting Governments as at**

June 2009			
	Term of membership (years)	Current membership* 2008-2009	Participants at IWC61
Group 1	3	Gambia the (1)!! Grenada (1)!!	no no
Group 2	3	Morocco (2)# Oman (#)	no no
Group 3	3	Belgium(3) Denmark (3)#	yes no
Group 4	3	Italy (1)!! Japan USA	yes yes yes
Open seats	2	<i>Vacant (\$\$)</i>	no
Chair		Andrea Nouak (Austria)	yes
Vice-Chair		Thomas Schmidt (Germany) - <i>In place of W. Duebner</i>	yes

(#) Declined to participate when asked during IWC60

(!!) Willing to participate when asked during IWC60

* Number in brackets indicates how many years a country has already been a member

(\$\$) BSC Chair called for expressions of interest to fill Open Seats from F&A Committee members – none received.

**Current and future membership of Budgetary Sub-committee
based on Contracting Governments as at**

June 2010						
	Term of membership (years)	Current membership (as per rota)	Current (effective) membership*	Future membership assuming no country declines to serve		
				2010-2011	2011-2012	2012-2013
Group 1	3	Gambia the (!!) Grenada (!!)	Gambia the (2) Grenada (2)	Gambia (the) (3) Grenada (3)	Guinea (1) Guinea Bissau (1)	Guinea (2) Guinea Bissau (2)
Group 2	3	Panama (*1) Peru (*1)		Poland (1) Romania (1)	Poland (2) Romania (2)	Poland (3) Romania (3)
Group 3	3	Cyprus (*1) Greece (*1)		Iceland (1) Netherlands (1)	Iceland (2) Netherlands (2)	Iceland (3) Netherlands (3)
Group 4	3	Italy (!!) Japan USA	Italy (2) Japan USA	Italy (3) Japan USA	UK (1) Japan USA	UK (2) Japan USA
Open seats	2	<i>vacant</i>	<i>vacant</i>	<i>vacant</i>	<i>vacant</i>	<i>vacant</i>
Chair		Andrea Nouak (Austria)	Andrea Nouak (Austria)	Andrea Nouak (Austria)	To be elected	To be elected
Vice-Chair		Thomas Schmidt (Germany)	Thomas Schmidt (Germany)	Thomas Schmidt (Germany)	To be elected	To be elected

(!!) Willing to participate when asked during IWC60

(*1) Invitations to participate sent in June 2009 plus reminders in May 2010 - no affirmative responses as yet.

* Number in brackets indicates how many years a country has already been a member.

Group 3 nations entitled to participate by rotation: Iceland, Ireland (#1), Israel (#1), Korea (Rep of) (#2), Luxembourg (#1), Netherlands. But note:

(#1) Gave negative responses when asked, due to excess work for single representative.

(#2) Recent BSC member as G2 nation.