

Annex D

An Update on the 2023-24 IWC Budget and Implications for the Scientific Committee

Alexandre Zerbini, Lindsay Porter and Iain Staniland

BACKGROUND

The Commission is facing a financial deficit of at least £497,000 in the next biennium (i.e. 2023-24). If the Commission does not balance its biennial budget, it will become insolvent in 2025. The Commission is in this position due to consistently adopting deficit budgets (i.e. the Commission agreeing that expenditure should exceed income), freezing member contributions and increased operating costs due to inflation (Fig. 1). Consequently, the Commission's General Fund and reserves have now been depleted.

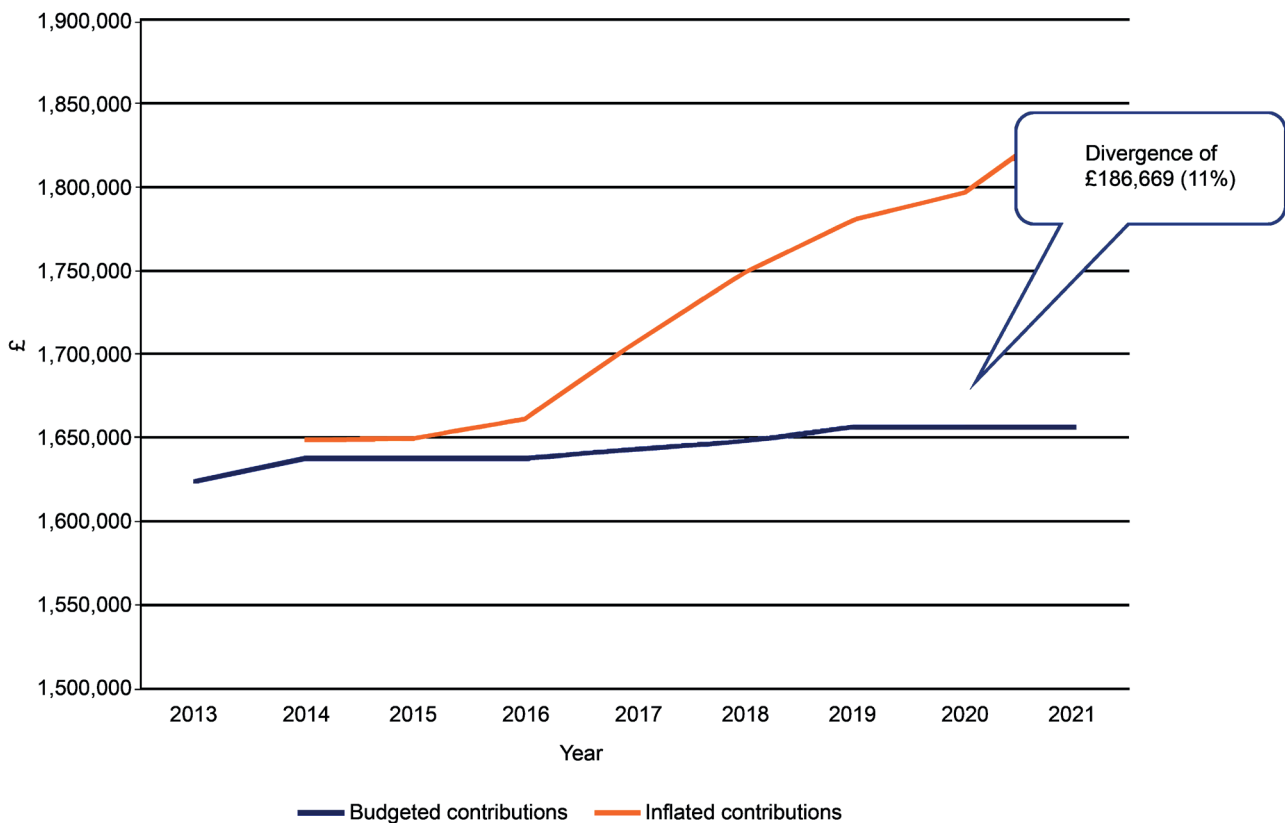


Fig. 1. The graph above shows that budgeted contributions (blue) from 2013 to 2021 (8 years) have only increased by 2%. By applying annual inflation in the UK to the 2013 budgeted contribution (£1,623,972), the 2021 contribution budget would have been £1,843,269, which represents a divergence of £186,669 or 11%, (orange).

To address this, in 2019 the IWC Bureau directed the Commission's Budgetary Sub-Committee (BSC) to only submit balanced budget proposals (where expenditure equals income) to the Commission. The BSC established two groups to propose changes to the usual business of the IWC to mitigate the budget crisis. One group focused on the Commission meeting and the Secretariat budgets, and the other group focused on the SC research and meeting budgets. The summary of the discussions of these two groups is included at Appendix 1.

The BSC has developed a draft budget proposal for IWC68 based on the predicted deficit, advice from the discussion groups, detailed review of the Commission's finances and cashflow, advice from the Scientific Committee and Secretariat, and consideration of the Commission's broader operating context (current global circumstances and position of member countries, etc.).

Table 1
BSC proposed options to balance the 2023-24 IWC budget.

Option 1: Reduce Expenditure	Option 2: Increase Income	Option 3: Reduce Expenditure/Increase Income
<p>This option includes permanently reducing expenditure by 8% in 2023, 17% in 2024. In practice, it includes:</p> <ul style="list-style-type: none"> • Moving to biennial SC meetings after an in-person meeting in 2023. • No IP budget in non-meeting years. • An additional 1% reduction to the research budget. • Significant reduction to Secretariat running costs • Bureau meetings virtual except at Commission meetings. • Virtual pre-meets for Commission meetings. • Reduction of Commission meetings by 1 day. • Bad debt provision reduction. <p>Depending on the SC's preference, an in-person meeting could be held in 2023 or 2024 (aligned with Commission years, or in 'off' years). This option does NOT include budget for full virtual meetings in 'off years'. However, in renewal years for ASW quotas (e.g. 2024), funds will be provided for an SC workshop as needed.</p>	<p>Raise annual contributions by 15% in 2023 (establishing a new baseline income).</p> <ul style="list-style-type: none"> • Expenditure will remain at current levels. • Future deficits will be avoided through the use of zero-based budgeting. (The total cost of all activities is first calculated to determine the budget. The contributions formula is then applied to this agreed budget, giving zero deficit. 	<p>Raise annual contributions by 2% in 2023, 13% in 2024. Permanently reduce expenditure by 7% in 2023, 6% in 2024. This includes:</p> <ul style="list-style-type: none"> • Moving to biennial SC meetings after a transitional period (e.g. after in-person or virtual annual meetings in 23-24), with some intersessional workshops supported. • Reduced IP budget. • Moderate reduction to Secretariat running costs • Bureau meetings virtual except at Commission meetings. • Virtual pre-meets for Commission meetings • Reduction of Commission meetings by 1 day. • Bad debt provision reduction. <p>Depending on the increases to contribution supported, this option could include a budget for full virtual SC meetings in 'off years', and/or intersessional workshops. However, this is not guaranteed.</p>

PROPOSED OPTIONS TO BALANCE THE BUDGET

There are three possible options to balance the 2023-24 budget that the Commission will consider at IWC68. All options are intended to establish a new status quo, that is, the Commission will not return to previous patterns of expenditure. These three options are summarised in Table 1 above, and the breakdown of proposed savings for Options 1 and 3 is presented in Table 2¹.

The options described above, or the financial figures provided in Table 2, are not yet finalised, but do provide sufficient detail to inform the SC. The BSC will present this revised draft budget to the Bureau in June 2022 and will circulate a proposal to the Commission in July, 90 days prior to IWC68. Over the next few months, the BSC will also approach Contracting Governments directly to discuss the budget and invite discussion. The Commission will then discuss the proposal at IWC68 in October 2022. The Commission may opt for a variation of one of the options proposed but must agree a balanced 2023-24 budget.

IMPACT OF THE BUDGET REFORM ON THE WORK OF THE SC

Here only the budget impact on the SC research and meeting budgets is considered, however the proposed reductions are balanced across the other components of the Commission's budget (i.e. Secretariat running costs and Bureau and Commission meeting costs). For more information of the impacts to these budget streams, please contact the BSC directly (whales@awe.gov.au).

It is unclear what will happen to the budget after 2024 as the Commission will review the Budget Reform Strategy, to be presented at IWC68, to agree the future of budgeting.

Proposed Options 1 and 3 for balancing the IWC budget will have a substantial impact on the work of the SC. Option 1 represents a cut of 48% in the SC meeting budget, reflecting the proposal to shift the SC meeting to a biennial schedule. A reduction of 21% in the research budget reflects a reduction in IP expenditure, given that there will be biennial meetings, plus a small reduction in funds available for research. Option 1 does include the provision of funds for an ASW workshop, as 2024 is a renewal year for quotas. Option 1 *does not* include funds for the Secretariat to support a virtual meeting, meaning that if the SC chooses to host a virtual meeting, funds to support this (approximately £10-15K) would need to be allocated from the SC research budget or found from external sources.

Option 3 represents a smaller cut of 3% in the SC meeting budget in the next biennium, which is sufficient to fund full in-person annual meetings of the SC while it transitions to biennial meetings. Smaller in-person and/or virtual meetings during the interim years may be supported depending on the level of contribution increases agreed. ASW workshops will be funded in renewal years of the ASW quotas. The SC research budget is reduced by 11%, reflecting reduced IP expenditure during interim years.

¹Breakdown for Option 2 is not shown because no savings are required under this option; the SC would operate under the current budget.

Table 2
Breakdown of proposed budget savings in the IWC under Options 1 (left) and 3 (right).

Option 1	2023-24 status quo Budget £	2023-24 proposed savings £	2023-24 proposed budget £	Option 3	2023-24 status quo Budget £	2023-24 proposed savings £	2023-24 proposed budget £
Income				Income			
<i>All income</i>				<i>All income</i>			
Financial contributions	(3,313,200)	0	(3,313,200)	Financial contributions	(3,313,200)	(248,499)	(3,561,699)
Interest on Financial Contributions	(12,300)	0	(12,300)	Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)	Interest Receivable on Cash Balances	(800)	0	(800)
Meeting Fund reserves transfers	(125,000)	0	(125,000)	Meeting Fund reserves transfers	(125,000)	0	(125,000)
Total income	(3,451,300)	0	(3,451,300)	Total income	(3,451,300)	(248,499)	(3,699,800)
Expenditure				Expenditure			
Secretariat running costs	2,885,474	(159,927)	2,725,547	Secretariat running costs	2,885,474	(86,525)	2,798,948
Bureau meeting costs	24,725	(24,000)	725	Bureau meeting costs	24,725	(24,000)	725
Commission meeting costs	290,700	(78,000)	212,700	Commission meeting costs	290,700	(78,000)	212,700
Scientific Committee meeting costs	271,941	(130,941)	141,000	Scientific Committee meeting costs	271,941	(9,041)	262,900
Scientific Committee – research budget costs	475,746	(104,418)	371,328	Scientific Committee – research budget costs	475,746	(51,220)	424,526
Total expenditure	3,948,586	(497,286)	3,451,300	Total expenditure	3,948,586	(248,786)	3,699,799
Total (surplus)/deficit	497,286	(497,286)	(0)	Total (surplus)/deficit	497,286	(497,286)	(0)

At last year's meeting, the Committee discussed the consequences of a reduction in the meeting and research budget and a change of meeting structure (Appendices 3 and 4). These discussions highlighted that a reduction to the meeting fund will reduce the SC's ability to consider important conservation and management problems in a timely fashion and, therefore, may not be able to provide the same level of advice to the Commission. This would mean that the SC would need to reduce and prioritise its agenda, which will require guidance from the Commission. Further, the Commission will need to reduce its expectations of the SC.

EXTERNAL FUNDING FOR IWC SCIENTIFIC RESEARCH

There have previously been suggestions to explore external funding for IWC scientific research. The IWC Research Fund comes from 'core' funding but within the current Rules of Procedure (see Financial RoP C.1 and C.1.a) this can be supplemented by fundraising. Whilst there are no specific guidelines on voluntary funding for the Research Fund (unlike the Commission's five other voluntary funds) the IWC Commissioners have agreed generic guidelines and a code of ethical fund raising (see <https://iwc.int/commission/iwcfunding>, Guidelines on Acceptance of Funds and Code of Ethical Fundraising). However, it would be prudent to discuss any plans for funding raising with the Chair of the Finance and Administration Committee (F&A) and the Bureau.

The IWC Secretariat has recently hired a half-time Projects Coordinator, Harriet Pinder, whose responsibilities include fundraising. Pinder is drafting a Strategic Plan for Fundraising which is under internal review. This Strategic Plan includes a preliminary list of potential funding sources for medium and long-term funding.

NEXT STEPS

Under a scenario with biennial meetings and a reduced research budget, the Committee will have to make permanent changes to its meeting schedule and work structure in order to continue providing comprehensive information on the threats to and the status of cetacean stocks to the Commission. It is important to consider options to move the Committee's work forward in an efficient manner under a reduced budget scenario. A Steering Group (SG) will be created to explore these options once the Commission decides on the 2023-24 budget. This SG (Table 3) will be led jointly by the SC Chair and vice-Chair and shall include the Head of Science, Management and Conservation, Head of Finance and Administration, Head of External Affairs and Communications and appointed and volunteer members of the SC. The role of the SG is to develop approaches to progress with SC work, given forthcoming changes in budget and meeting structure. This could include harnessing fundraising opportunities. The terms of reference for the group are provided below.

Table 3

Proposed membership of the Steering Group to assist the SC to transition to new budget and meeting schedules.

Name	Role	Country	Comments
Zerbini	SC Chair (co-Convenor)	Brazil	
Porter	SC Vice Chair (co-Convenor)	UK	
Staniland	Head of Science, Conservation, and Management	IWC Secretariat	
Bartmeier	Head of Finance and Administration	IWC Secretariat	
Tandy	Head of External Affairs and Communication	IWC Secretariat	
Double	Head of Delegation	Australia	SC Convenor
Bjørge	Delegate	Norway	Past chair
Palka	Head of Delegation	USA	Past chair
Fortuna	Alternate Head of Delegation	Italy	Past chair
Iñiguez	Head of Delegation	Argentina	
Nelson	Alternate Head of Delegation	St. Lucia	SC Convenor
Seakamela	Head of Delegation	South Africa	
Choi	Head of Delegation	South Korea	To be confirmed
SC volunteer	TBD		
SC volunteer	TBD		

Steering Group terms of reference

- (1) Assist the Committee in planning for a new reduced budget scenario and a revised meeting structure once the Commission agrees on a new budget for the IWC.
- (2) Provide advice to the Commission with respect to:
 - the existing SC meeting format and possible changes to optimize a new meeting schedule;
 - the use of the SC research budget to support virtual and in-person meetings; and
 - the alignment of SC and Commission meetings should the SC meeting schedule change.

Appendix 1

REPORT OF THE IWC BUDGETARY SUB-COMMITTEE ON BALANCING THE COMMISSION'S BUDGET (DOCUMENT VSM/2109/3.2.4/01 PRESENTED TO THE VIRTUAL MEETINGS OF THE IWC IN SEPTEMBER 2021)

BALANCING THE COMMISSION'S BUDGET: DISCUSSION GROUPS PROCESS AND OUTCOMES

June 2021

1. Background and context

- 1.1 The International Whaling Commission is facing a budget crisis. Unless the Commission makes changes, it will overspend by at least £329,000 in the next biennium (2023-24) and will be at risk of becoming insolvent in just a few years.
- 1.2 Member contributions have not increased for nearly a decade, while the Commission's operational costs (everything from Secretariat staff to meeting venues) have continued to rise with inflation. The Commission's work programs have also expanded due to the adoption of new resolutions and priorities put forward by the Commission while financial contributions remained frozen.
- 1.3 The Budgetary Sub-Committee (BSC) is tasked through its terms of reference with developing budget proposals for the Commission to consider. Recognising the urgent need to address the financial situation, the Bureau recommended in October 2019 that only balanced budget proposals be put forward to IWC68. Due to COVID-19, the Commission has not met since 2018 to consider options.

- 1.4 To support this task, the BSC convened two informal discussion groups in October 2020 to advise on possible areas of savings within the Commission's three budget streams (Secretariat, meetings and research) and how those savings could best be managed so as to have the least possible impact on the Commission's functions and deliverables.
- 1.5 The two groups each met three times between December 2020 and April 2021.
- 1.6 **Group 1** discussed areas of potential savings in the Secretariat and meetings budget. The group comprised the Commission's elected leadership – the chairs and vice chairs of the IWC, BSC, Finance and Administration Committee, Scientific Committee and Conservation Committee, as well as the Executive Secretary and the Secretariat's Head of Finance and Administration.
- 1.7 **Group 2** discussed areas of potential savings in the Scientific Committee's research budget and the Scientific Committee's share of the meetings budget. Membership of Group 2 was open to all Commissioners. The group comprised Commissioners or their delegates representing Australia, Brazil, Denmark, Mexico, the Netherlands, Portugal, Switzerland, the UK and the US. The Secretariat's Head of Science, Conservation and Management and the Secretariat's Head of Finance and Administration, and the Scientific Committee Chair and Vice Chair participated in an advisory capacity.

IWC68 postponement

- 1.8 The postponement of IWC68 to 2022 means the balanced budget proposal developed by the BSC would not be implemented until the 2023-24 biennium if agreed by the Commission. This provides additional time to conduct outreach and seek feedback on the budget proposal from members and observers, consider implementation of potential savings, and evaluate support for increases to contributions.
- 1.9 The balanced budget proposal, if agreed at IWC68, will become the new 'status quo' budget model for future bienniums. While the Commission will be encouraged to regularly review the impact and effectiveness of any implemented savings, any savings adopted in the balanced budget will be implemented on an ongoing basis.
- 1.10 As a result of in-person meetings and travel being postponed in 2020 and 2021, some expenditures planned for the current budget cycle did not occur. These one-off underspends will be carried over to fund meetings in 2022. While this is expected to allow the Commission to achieve a balanced bridge budget for 2022 without implementing budget reductions, this underspend is a one-off and will not solve the ongoing, longer-term budget problems.

Red House Sale

- 1.11 On 18 March 2021, the Commission agreed via postal vote to list the Commission's headquarters – the Red House – for sale. This difficult decision was made based on the Secretariat's advice that ongoing maintenance costs would exceed the cost of renting a smaller, impermanent workspace. If the Red House is sold the revenue will be used to boost the Commission's cash-reserves and improve cash-flow. Those revenues will not be drawn on to address the deficit.

Budget Reform Strategy

- 1.11 The Budget Reform Strategy, developed by the Budgetary Sub-committee as part of the Working Group on Operational Effectiveness (WG-OE) package of governance reforms, proposes best-practice budget management principles for the Commission including setting only balanced budgets, adopting zero-based budgeting, and forecasting budgets over a four-year period.
- 1.12 If agreed at IWC68, the Budget Reform Strategy will ensure the Commission remains financially sustainable into the future and avoids any further reliance on deficit budgets.

2. Summary of Discussions

Agreement to 'quick win' savings

- 2.1 Group 1 agreed to several 'quick win' savings options that could be considered in the 2022 bridge budget or the balanced budget proposal for the next biennium. These include:

Quick wins	Estimated savings and budget stream	Additional considerations
Reduce Commission meetings by one day	~£28k – Meetings Budget (biennial saving)	This is factored into the new meeting format being proposed by the WG-OE and will be considered by the Commission in that context.
No funded networking, Convenor's lunch and corporate gift at Scientific Committee meetings	~£7k – Meetings Budget (annual saving)	These events could be self-funded by delegations or others.

- 2.2 Group 1 also agreed the Commission could consider moving to virtual Bureau meetings. This could save up to £18k annually.

Agreement to propose the option to increase to member contributions

- 2.3 Both groups agreed options for increases to member contributions should be an option considered by the Commission.

- 2.4 The model proposed will depend on the response to outreach and consultation, but may include:

Options	Implication if agreed
8-10% increase in 2023, establishing a new baseline, plus an inflationary increase of ~2% annually thereafter	Addresses the current deficit. No significant savings would need to be agreed at this stage.
8-10% increase in 2023, establishing a new baseline.	Temporary solution that addresses the current deficit. Does not address the issue of Commission costs rising with inflation, and it is likely expenditure will again rise above income – meaning savings will still need to be found at a later date.
Inflationary increases of ~2% annually	This would address the ongoing issue of rising Commission costs but would not fully address the current deficit. Significant savings would still need to be found for 2023-24 to establish as new expenditure baseline.

- 2.5 The groups considered whether it would be possible to spread contribution increases over a couple of years to reduce the burden on members. The BSC advised against this option because:
- The Commission's cash reserve is almost depleted, so it needs to agree a fully balanced budget in 2023 and every year thereafter to avoid insolvency. If contributions are not raised by the full 8-10% in 2023, the Commission would still need to find savings at IWC68 to balance the budget.
 - The Commission's expenditure is increasing each year due to inflation which means, if contribution increases were spread over 2-3 years, the increase would need to be as high as 7% each year to keep pace with inflation. For most capacity to pay Group 1 and 2 countries, the difference between a 7% and 8-10% increase would be minimal.
- 2.6 If contribution increases are agreed at IWC68, the first increase will be reflected in invoices due by 30 June 2023.
- 2.7 A proposal to increase contributions was presented at IWC67 in 2018 but was not supported by the Commission. COVID-19 will likely consolidate this position further. Significant outreach will be required over the next 12 months to ensure members are ready to give reasonable consideration to contribution increases at IWC68.
- 2.8 The BSC will prepare a contingency balanced budget proposal that does not account for increased contributions, in case the Commission decides against that option.

Agreement that the budget situation necessitates adjustment to Scientific Committee operations

- 2.9 Group 2 discussed possible savings from Scientific Committee operations (meetings budget and research fund).
- 2.10 Although some members of the group expressed concerns about the implications of any further budget adjustments (the Research budget was decreased by ~30% at IWC67) that will affect the Scientific Committee, there was a broad understanding that the Scientific Committee will need to absorb a portion of funding cuts to make up the deficit, noting that:
- Each Scientific Committee meeting costs around £140,000. Over a biennium, two Scientific Committee meetings cost approximately the same amount as the biennial Commission meeting.
 - The Scientific Committee's advice and research is integral to the Commission fulfilling its mandate and although adjustments can be explored, the Scientific Committee's value is not in question.

- For the Scientific Committee to continue its work and maintain its reputation as the global authority for cetacean science, it must retain its expertise while operating within and contributing to a financially viable Commission.
- 2.11 The main savings option discussed was changes to Scientific Committee meeting structure, including a possible move to biennial meetings, which would likely save almost half the projected overall deficit. While members expressed concern with the potential impacts such a move could have on the outputs of the Scientific Committee, the agreed way to mitigate such impacts was through some mix of in-person and/or virtual intersessional meetings.
 - 2.12 The key consequence of less frequent Scientific Committees meetings is a reduced volume of advice available to the Commission (although intersessional workshops could mitigate this). The key opportunities include a targeted agenda and streamlined reporting process ensuring all work and recommendations align with Commission priorities.
 - 2.13 The group noted that the Commission has endorsed a substantial amount of scientific work which exceeds the available funds. This situation needs to be managed. Any changes to Scientific Committee meetings or priorities must be complemented by the Commission adopting realistic expectations of what the Scientific Committee can deliver, including revisiting previous directives to ensure they are still necessary, relevant, implementable and affordable.
 - 2.14 Changes to meeting operations, such as moving to biennial meetings, will create complementary savings from the Research Fund. For example, it is likely less travel funds will be needed for Invited Participant (which are now budgeted in the Research Fund). The group agreed that opportunities for other low-risk savings from the research fund could be explored, including possible changes to how the Invited Participants budget line is managed.
 - 2.15 It is also noted that the Scientific Committee developed options and recommendations, after reviewing the options formulated by the budget discussion groups, for possible future budget reductions related to meetings and the Research Fund at its recent meeting in April/May 2021.

Agreement to explore modest savings in Secretariat staff benefits

For legal reasons, this paper does not cover the specifics of savings to staff pay and benefits discussed

- 2.16 Group 1 discussed possible savings from the Secretariat's budget.
- 2.17 The Secretariat budget is primarily made up of staff pay and benefits (78%). Therefore, any significant savings to the secretariat budget will affect staffing and employment conditions. Significant savings to IT infrastructure and services have already been implemented.
- 2.18 The group agreed it is not acceptable for basic working conditions and benefits to be diminished to address the deficit. Rather, if the Commission decides to reduce the Secretariat's staffing budget, savings should only be found by reducing benefits that are above UK standards, or by reducing overall staffing levels (i.e. redundancies) and associated services to the Commission.
- 2.19 The working conditions offered to Secretariat staff include a modest package of benefits, some of which are slightly above UK standards. Although only generating minor savings, the group agreed that initiating consultations with staff around reducing/removing this category of benefits was acceptable. It was agreed that the other benefits should remain in place to ensure the Secretariat is able to attract and retain quality staff.
- 2.20 The group agreed it was not appropriate to reduce salaries to balance the budget. However, when new staff are recruited following natural turnover, salaries are aligned with market rates to ensure value for money for the Commission.
- 2.21 Although modest redundancies could be explored, the group acknowledged that there are significant risks associated with reducing the capacity of the Secretariat in terms of the level of service available to the Commission.
- 2.22 The group acknowledged the high caliber of the Secretariat staff and their flexibility, efficiency, professionalism, and work ethic.

Agreement that further savings in the meetings budget should be explored

- 2.23 Group 1 considered additional options for savings in the meetings budget in addition to the 'quick wins' and possible changes to Scientific Committee operations.

- 2.24 The Secretariat already works to reduce meeting costs, with the last two Commission meetings being more cost effective.
- 2.25 The group agreed to explore the possibility of virtual and reduced ‘margins’ meetings (prior to or following in-person Commission meetings) noting that the scope of these meetings has increased over time and their purpose and structure could be reviewed. The BSC will consult with the WG-OE to consider this in the context of the separate proposal for changes to the Commission meeting structure (and development or review of Terms of Reference for each of the Commission’s subsidiary bodies).

3. Next steps

- 3.1 The BSC will develop balanced budget options for 2023-24, in consultation with relevant Commission subsidiary bodies. A draft proposal will be considered by the Bureau ahead of being considered at IWC68. This proposal will be accompanied by a report capturing the potential impact and management of various savings options.
- 3.2 The balanced budget proposal will be shared with Commission members and observers for their views in the lead up to IWC68.
- 3.3 Although the informal budget discussion groups are now dissolved, participants are best placed to lead outreach in their regions on increases to member contributions and the importance of balancing the Commission’s budget. The BSC can support this outreach with messaging, papers, presentations etc.
- 3.4 The BSC, Secretariat, and Scientific Committee leadership welcome questions and engagement from any members wishing to further their understanding of the budget work.

Appendix 2

IMPLICATION AND CONSEQUENCES OF FURTHER CUTS TO THE IWC SCIENTIFIC COMMITTEE BUDGET OR MODIFICATION TO THE SC MEETING STRUCTURE (ANNEX K OF 2021 SC REPORT)

Robert Suydam, Alex Zerbini, Arne Bjørge, Mike Double, Miguel Iñíguez, Toshihide Kitakado, Mike Lundquist, Debi Palka, Randy Reeves, Mark Simmonds, Michael Stachowitsch, Anne-Marie Svoboda, and Horace Walters

1. BACKGROUND

The Commission has been facing financial difficulties for some time and will face at least a £329k deficit in the next biennium (i.e., 2022-2023). The Commission must balance its budget; otherwise it will become insolvent in just a few years. To balance the budget, an increase in revenues (possibly through increases in member dues, voluntary funds, or grants/awards), reduced expenses, or both will be needed. The current leadership of the Commission and subsidiary bodies have been requested to make difficult but necessary proposals for achieving a balanced budget.

The postponement of in-person SC meetings in 2020 and 2021 and the Commission meeting in 2021 have resulted in budget savings, which will help offset the deficit in the short-term. However, longer term budget solutions are needed, and discussions are on-going in several IWC subsidiary groups, including the Working Group on Operational Effectiveness.

Two budget groups were established by the Commission’s Budgetary Sub-committee, with Bureau endorsement, to propose possible changes to the usual business of the IWC to help mitigate this budget crisis. The first group focused

on the Commission meeting and the Secretariat budgets and the second group focused on the SC research and meeting budgets. The SC Chair (Suydam) and Vice-chair (Zerbini) participated in both of those budget groups. Both groups discussed increasing revenues but focused on budget savings. Reports are now being drafted. Those groups agreed that discussions about reducing SC costs are not intended to diminish the value or effectiveness of the SC. The SC's advice and research are integral to the Commission fulfilling its mandate. However, achieving a balanced budget with substantial cuts must take into account the possible consequences of those cuts.

The purpose of this document is to provide to the Commission, the Secretariat, and the Working Group on Operational Effectiveness an assessment of the implications and consequences of possible budget reductions to the SC. We have divided the discussion into several sections, including information on the current SC budget, possible consequences of cuts to the research budget and the meeting structure, and recommendations for how the SC can help to address the IWC budget crisis.

2. CURRENT AND RECENT PAST SC BUDGETS

The SC operates under two separate IWC budgets: (1) a research budget; and (2) a meeting budget. Below is background information about both of those budgets.

2.1 Research budget

The budget crisis of the IWC was already evident in September 2018, when the IWC Commissioners agreed to reduce the SC research budget by ~£90,000 per annum (28%) to contribute with the IWC's longer-term goal of a balanced budget. The previous SC research budget had been ~£315,000 per annum. In 2018, the SC met in April and May and agreed a budget of that amount. Because the requested budget cuts occurred after the conclusion of the 2018 SC meeting, the then SC Chair (Fortuna) and vice-Chair (Suydam) worked with a small group of Commissioners and other delegates to recommend specific cuts to the proposed 2019-2020 SC budget to reach the requested reduction, which led to a revised annual SC budget of ~£226,000.

The revised SC research budget for the 2019-2020 biennium was attained by reducing the budgets for 18 projects, by zeroing out budgets for five projects (but to be considered for funding in the next biennium), and by recommending two projects be funded under the Small Cetacean Voluntary Fund. Savings were also realized by using underspends from previously approved projects. The annual research budget of the SC has remained at ~£226,000 since that time.

The research budget is divided into several categories:

- IWC-funded Invited Participants (IPs) to attend annual meetings.
- Contingency (for addressing new topics from the Commission or other needs, as allowable).
- Intersessional meetings/pre-meetings/workshops to address specific SC agenda items.
- Modelling/computing (e.g., development, maintenance, and testing of SLAs).
- Research projects, usually field projects.
- Databases (i.e., creation and maintenance).
- Reports (e.g., State of the Cetacean Environment Report [SOCER], mercury exposure in cetaceans).

Fig. 1 illustrates the distribution of funds across the above budget categories for 2019.

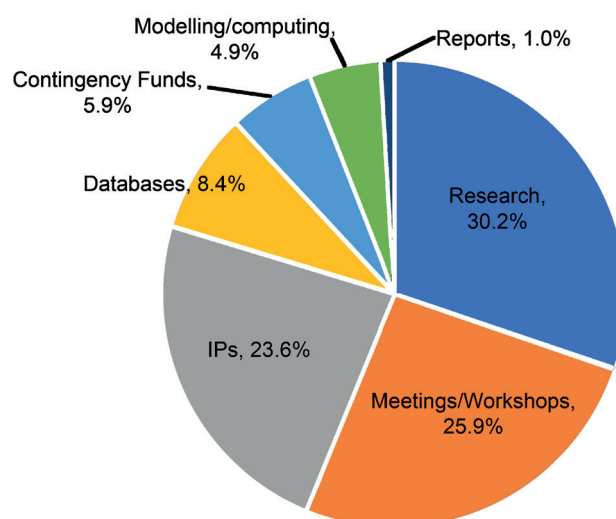


Fig. 1. Distribution of SC research funds across budget categories in 2019.

There are several other points to note:

- The SC research and SC meeting budgets are linked. Changes in one will likely have an impact on the other. For example, expenses for IWC-funded IPs to attend the annual meeting are included in the research budget. If the meeting structure changes (see below), there would be corresponding changes to the research budget.
- Many of the intersessional workshops and pre-meetings funded from the SC research budget are held in conjunction with the annual SC meeting to help reduce costs, such as travel. The intersessional workshops are often matched with non-IWC funding sources for expenses such as meeting room costs, travel for some participants, and other expenses.
- Many of the actual research projects funded by the research budget occur in locations where there are few alternative sources of funding. Those projects always have relatively small budget requests but provide valuable information required to advance the work of the SC. The results are usually very cost effective and frequently involve a substantial amount of matching and in-kind support.

The SC research budget contributes to the work of most sub-groups within the SC and also the Secretariat (Fig. 2).

Most of the research budget is distributed evenly across assessment, IPs/contingency, and topics that overlap with CC (Fig. 3).

The three figures would likely differ if looking at the distribution of funds from years prior to 2019 but do provide a reflection of how the SC has distributed funds to address Commission directives in the most recent years. The situation with restrictions on travel and research due to COVID-19 reduce the usefulness of looking at budgets from 2020 and 2021.

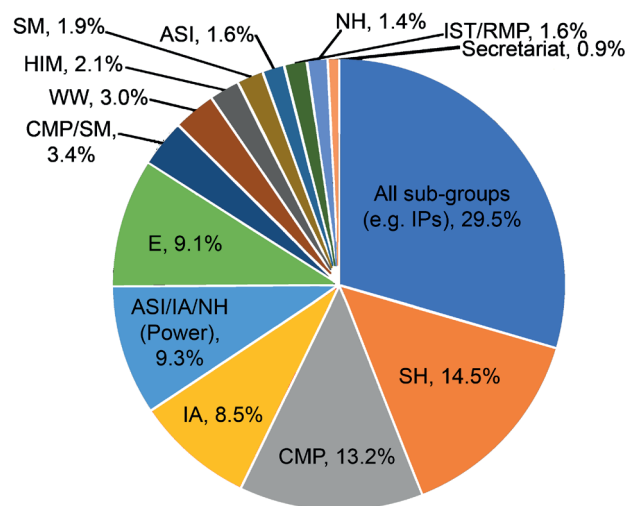


Fig. 2. Distribution of SC Research budget across sub-committees/sub-groups in 2019.

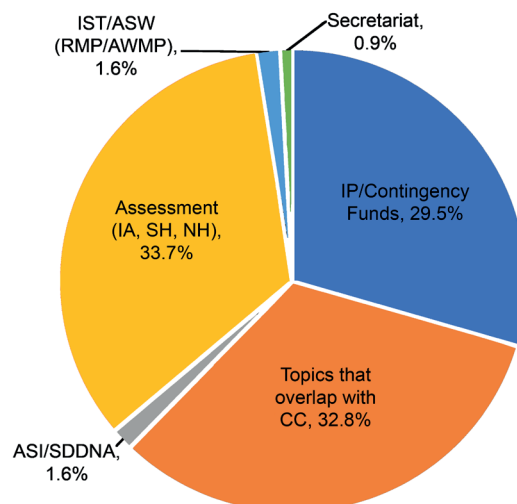


Fig. 3. Distribution of SC Research budget in 2019 distributed across assessments, Ips/contingency funds, topics that overlap with Conservation Committee, and other categories.

2.2 SC Meeting budget

As noted above, the SC research and meeting budgets are linked. The Secretariat-managed SC meeting budget covers the costs of meeting rooms, Secretariat travel and associated costs, overtime salary, coffee, etc. The cost of an annual in-person SC meeting is approximately £130,000. As noted above, the costs for IWC-funded IPs to attend the annual meeting of the SC are covered by the research budget.

Aside from travel expenses for IWC-funded IPs, it is also important to note that the travel, and associated costs, and salary for almost every other SC participant, whether delegates, self-funded IPs, or observers, are all donated by various IWC member governments, other local, regional or national governments, NGOs, IGOs, or other organizations. The amount of donated travel and time was estimated at a total of ~£3 million per annum by the former SC Chair (Fortuna) during budget discussions in 2018.

3. POSSIBLE CONSEQUENCES OF CHANGES TO THE SC MEETING STRUCTURE AND RESEARCH BUDGET

There has been a suggestion that the SC move to biennial meetings as one means of helping to solve the IWC's budget crisis. There are other options to consider as well, including reducing the length of meetings, holding virtual meetings, or some mix thereof.

During the past year or so, the Commission and its subsidiary bodies, including the SC, have demonstrated impressive flexibility and innovation to continue their work during the COVID-19 pandemic. An example of this flexibility is the virtual meetings of the SC in 2020 and 2021. Specific lessons have been learned within those virtual meetings, some of which could contribute to productive and effective future virtual meetings. It is also clear that virtual meetings are not a like-for-like replacement for in-person meetings in large part because of the long-standing relationships among SC members developed at annual in-person SC meetings.

Below are some specific options and consequences for changing the SC's meeting structure:

3.1 Biennial in-person meetings (possibly with virtual meetings or workshops in the intervening years)

- In-person meetings every other year would provide substantial cost savings (~£130,000 per biennium) to the IWC but could substantially impact the quantity of work, and thus advice and recommendations from the SC to the Commission. The SC would be further limited in its ability to respond in a timely manner to future requests from the Commission for analyses or information.
- If biennial meetings are instituted, the number of IWC-funded IPs (through the SC research budget) could also be reduced.
- Biennial meetings might diminish the capacity of the SC to test and revise SLAs, when necessary, for aboriginal hunts. Annual meetings allow the necessary SC members to discuss the highly technical aspects of this work, including the review of extensive and detailed results. Further, the SC research budget has provided funding for 'essential computing' critical for some of those tasks. Reductions in meeting frequency and funding could result in challenges for the SC to provide objective advice to the Commission about safe harvest levels for aboriginal hunts, especially if the information available for a whale stock is not within the bounds of the scenarios to which SLAs have already been tested.
- Reduced meeting frequency will make it difficult for the SC to conduct regular *Implementation Reviews* (IR) for each of the six ASW hunted stocks/populations. The SC has agreed to focus on one IR per year because the assessments can be quite complicated in some years for some populations. As endorsed by the Commission, the IR for each population is currently scheduled for every 6 to 7 years. Reducing the frequency of meetings could cause delays to IRs for aboriginal hunts resulting in possible delay in timely and informed advice to the Commission.
- Population assessments (through IA with support from NH and SH) of cetaceans not hunted by member governments will slow, resulting in less information about conservation concerns for selected populations. In light of climate change and increasing use of the ocean by people, delaying assessments may have serious conservation implications for some stocks.
- The SC has attempted to plan for succession regarding the highly technical assessments of cetacean populations as experienced personnel (within both the SC and Secretariat) near retirement or move to other projects or positions. Concerns exist about how the SC and Secretariat will maintain needed expertise. The same is equally true of some other aspects of our work where members of the Secretariat closely follow issues, such as the science related to climate change or ecotoxicology and further develop their own expertise. Moving to biennial meetings will likely further exacerbate this problem by providing fewer opportunities for new Secretariat staff and SC members to work alongside one another and learn from experienced personnel during regular in-person meetings.
- Our key work on pressing conservation issues, including associated mitigation measures and recommendations (from CMP, E, HIM, SM, WW), especially urgent ones, will also be delayed by moving to biennial SC meetings.
- Virtual meetings could be held during intervening years, but by necessity, virtual meetings result in a reduced number of available time slots for subcommittee sessions because of vast time zone differences among SC members.

However, even with those challenges, the virtual meetings in 2020 and 2021 provided opportunities for CMP, E, HIM and SM to advance their agendas in positive and helpful ways. WW did not hold a virtual session in 2020 and only two sessions in 2021.

- There is also concern that a biennial meeting may result in a general loss of momentum and, consequently, many members/participants could lose interest in the work of the SC. On the other hand, there are also advantages to biennial meetings with intervening virtual meetings, such as: reduced carbon footprint, less time away from home and families, reduced risk from traveling, and a greater opportunity for broader involvement of scientists from around the world in SC virtual meetings.

3.2 Reducing the Length of Annual Meetings

Reducing the length of annual meetings would have the benefit of annual in-person meetings, such as opportunities for more sessions per day, side meetings, and opportunities for small groups to more thoroughly discuss specific topics and devise report language that is more likely to result in consensus. Because of those advantages, in-person annual meetings, even reduced, would likely prove more productive than virtual meetings.

- Currently annual meetings are ~12 days long, but frequently there are pre- and post-meetings and workshops which extend the overall meeting timeframe.
- Reducing the meeting length would result in savings, including reduction in Secretariat overtime pay, reduction of staffing, and replacing coffee with water.
- The Secretariat estimates that reducing the annual SC meetings by ~5 days would provide a savings of ~£48k per biennium. Reducing annual meetings by ~5 days would almost certainly necessitate reductions to the agenda of work by the SC, with consequences similar to those mentioned above re: biennial meetings.

3.3 Hybrid Meetings

There has been some discussion about holding hybrid meetings, where some people participate in person and some are remote. While this may be appropriate in some circumstances (i.e., specific agenda items), it is unlikely to work well overall. Those attending in person would more likely be from nations with more financial resources. Those individuals would be more able to engage fully in discussions and in side meetings. Also, challenges due to time zone differences would be reduced for those participating in-person but not for those participating remotely. For those reasons, in-person meetings are preferred over hybrid meetings, except in special circumstances.

3.4 Research budget

There are some consequences of further reductions to the SC research budget not discussed above. They include:

- Reduced funding of research projects would likely have a disproportionate effect on regions and member countries with few other funding sources.
- Reduced number of in-person intersessional pre-meetings/workshops.
 - Intersessional pre-meetings are typically closely tied to the annual meeting to help reduce travel costs. Those meetings usually address topics that require more time to discuss than is available during the annual meeting. Results from those meetings are provided to the relevant sub-committee during the annual meeting for further consideration and inclusion in the sub-committee report.
 - Workshops are stand-alone meetings addressing a specific SC agenda item that is usually complex. A stand-alone and archived report is produced from each workshop. Workshop reports and recommendations are typically reviewed, with recommendations being revised as appropriate, endorsed and included in the annual SC Report.
 - Some of these pre-meetings and workshops could be conducted as virtual meetings.

4. COMMON CONSEQUENCES OF CHANGING THE SC MEETING STRUCTURE

If the meeting structure changes substantially, there will be common consequences regardless of the new structure. They include:

- Changing to biennial or reducing the length of SC meetings will by necessity result in a reduced agenda, which in turn will diminish the ability of the SC to address many important conservation and management problems and to provide timely, robust advice to the Commission.
- The SC would need guidance from the Commission about which agenda items have priority.
- The Commission would need to amend their expectations of the level and detail of results, outcomes, and recommendations from the SC.
- If the Commission adds additional items (through Resolutions, Schedule amendments, etc.) for the SC to address, consideration should be given to increasing the SC budget or reprioritising existing work, so that the SC can address the items in a timely manner.

5. POSSIBLE SOLUTIONS AND RECOMMENDATIONS

5.1 External funding

The SC strongly encourages the Commission to explore other sources of funding to help the IWC meet its budget crisis. The Secretariat has been working hard on external fundraising for some time but has not considered trying to replace IWC core funds used to support the SC with voluntary or grant funds. Part of that consideration is that there are challenges to supporting the SC with voluntary or grant funds, including complex application processes, expectations of granting agencies, and limited Secretariat staff to manage grants such as for reporting requirements. The SC also recognizes that the Commission has provided guidance through the 'Acceptance of Funds Policy' and 'Code of Ethical Fundraising'. The SC understands many of the challenges of external fundraising but is willing to engage in discussions about seeking external funding that could address specific SC projects or tasks suitable for those sources of funding.

5.2 Recommendations regarding budget cuts

The SC would prefer to meet annually. This is clearly the best approach for the SC to address the many items currently on its agenda. If funding cuts are necessary, we recommend consideration of the below options, with further consultation with the SC leadership for implementation of a reduction in funding.

- (1) Hold in-person biennial meetings of the full SC.
- (2) During intervening years, hold in-person workshops (which would need relatively little support from the Secretariat) for the highly technical sub-groups/sub-committees:
 - (a) ASW and IST
 - (b) IA and IST
 - (c) ASI and SD-DNA would also benefit from holding in-person workshops in the intervening years given their workload, their technical nature (which makes virtual discussions more difficult) and due to their advisory role to other SC sub-groups.
 - (d) There is considerable overlap in personnel among these sub-groups of the SC. An in-person workshop that includes all would be cost-effective, efficient and productive.
- (3) Other sub-groups/sub-committees could hold virtual workshops during intervening years or in-person, if necessary and justifiable. Each group could schedule its own meeting according to the availability of its members. Some support would be needed by the Secretariat.
- (4) Reduce the amount of funding for IPs, make appropriate arrangements for many of the IPs to attend meetings virtually, and seek external funding for IPs.
- (5) Reduce the amount of funding for research projects while keeping in mind that many of the research projects occur in areas where there are few alternative sources of funding. Those projects are often relatively low cost, but provide valuable information required to advance the work of the SC. The results of these projects are often very cost effective and frequently involve a substantial amount of matching and in-kind support.

The SC fully recognizes the urgent need to reach a balanced budget within the IWC. The above recommendations are intended to help accomplish this but we acknowledge that changes to the SC budget and meeting structure will have consequences. In 2018, the Governance Review of the IWC stated:

'The IWC Scientific Committee (SC) is the premier body worldwide regarding cetacean science, comprising some of the greatest experts on cetacean biology in the world. The unique and enormous expertise on cetaceans in the SC provides IWC with the stature and credibility to remain as the main global body for cetacean management and conservation. The Review Team notes the Scientific Committee is a key strength of the IWC and every effort should be maintained to ensure its effectiveness and global pre-eminence on cetacean research' (<http://archive.iwc.int/>).

If the SC moves to biennial meetings and intersessional workshops (held in-person or virtually), and if the research budget is reduced, our ability to provide comprehensive information about the status of cetaceans in a timely manner to the Commission will be challenged. If SC budgets are reduced, we will plan our work according to guidance about priority topics from the Commission. We will continue to do our best to maintain a strong core of scientific expertise in the SC while attending to the constraints imposed by budget reductions.

Appendix 3

EXCERPT OF THE 2021 SC REPORT: SCIENTIFIC COMMITTEE CONCLUSIONS AFTER DISCUSSION OF DOCUMENT “IMPLICATION AND CONSEQUENCES OF FURTHER CUTS TO THE IWC SCIENTIFIC COMMITTEE BUDGET OR MODIFICATION TO THE SC MEETING STRUCTURE” (APPENDIX 2, ABOVE)

23.2 Scientific Committee discussion of future budget cuts

The Committee discussed Annex K. In 2018 the SC research budget was reduced by approximately one third and due to the financial difficulties currently facing the Commission, it would be wise for the Committee to plan for possible cuts in the future. Whilst the postponement of in-person meetings in 2021 and 2022 has resulted in budget savings which will help in the short-term, longer-term solutions are required. Two budget groups were established under the Commission’s budgetary sub-committee, one of which focused on SC research and meeting budgets. The SC Chair and Vice-Chair participated in this group and discussed a range of possible scenarios to mitigate the effects of future budget reductions.

Regarding SC meeting structure, the implications of biennial in-person meetings were explored, along with reducing the length of the meetings. There was also discussion of hybrid meetings, in which some people attend in person, whilst others participate remotely. The Committee would prefer to meet annually, but if funding cuts are necessary the Committee **recommends** the following approach:

- (1) Hold in-person biennial meetings of the full SC.
- (2) During intervening years, hold in-person workshops (which would need relatively little support from the Secretariat) for the highly technical sub-groups/sub-committees.
- (3) Other sub-groups/sub-committees hold virtual workshops during intervening years or in-person, if necessary and justifiable.
- (4) Reduce the amount of funding for IPs, make appropriate arrangements for many of the IPs to attend meetings virtually and seek external funding for IPs.
- (5) Reduce the amount of funding for research projects while keeping in mind that many of the research projects occur in areas where there are few alternative sources of funding.

The Committee fully **recognises** the urgent need to reach a balanced budget within the IWC. The above recommendations are intended to help accomplish this but the Committee acknowledges that changes to the SC budget and meeting structure will have consequences.

In 2018, the Governance Review of the IWC stated:

‘The IWC Scientific Committee (SC) is the premier body worldwide regarding cetacean science, comprising some of the greatest experts on cetacean biology in the world. The unique and enormous expertise on cetaceans in the SC provides IWC with the stature and credibility to remain as the main global body for cetacean management and conservation. The Review Team notes the Scientific Committee is a key strength of the IWC and every effort should be maintained to ensure its effectiveness and global pre-eminence on cetacean research’ (<https://archive.iwc.int/>).
