

Annex K

Report of the Finance and Administration Committee

Friday 17 June 2005, Ulsan, Korea

1. INTRODUCTORY ITEMS

The list of participants is given in Appendix 1.

1.1 Appointment of Chair

Halvard Johansen (Norway) was appointed as Chair of the Committee. He noted that attendance at the Finance and Administration Committee was limited to delegates and that observers were not permitted to attend.

1.2 Appointment of rapporteurs

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 Annual Meeting arrangements and procedures

3.1.1 Need for a 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. As last year, he suggested that it would be appropriate to maintain the status quo, i.e., keep this item on the agenda since, as previously noted, the Technical Committee may have a role to play when the RMS is completed and catch limits set. The Committee agreed.

3.1.2 Use of simultaneous interpretation

REPORT FROM THE SECRETARIAT

At IWC/56, the Commission acknowledged the importance of facilitating the effective participation of all Contracting Governments in its work and that no government should be disadvantaged by language. It therefore agreed that in the first instance, equipment for the provision of simultaneous interpretation facilities be provided from IWC/57 for French and Spanish for the Commission's sub-groups (but not the Scientific Committee), the Commission plenary and Commissioners' private meetings. Arrangements and costs for interpreters would continue to be the responsibility of Contracting Governments wishing to use them.

In preparation for IWC/57, the Secretariat sent out a Circular reminding governments of the decision at IWC/56 and asking them to inform the Secretariat if they wished to use simultaneous interpretation equipment for interpretation for French or Spanish. The Secretariat offered to put these governments in touch with each other so that they could come to an arrangement amongst themselves regarding the provision of interpreters.

Only France responded, indicating that they were seeking a simultaneous interpretation service that could be provided by local or regional agencies. The intention was to make this facility available for the private Commissioners' meeting and plenary. This information was circulated to other francophone countries who were asked to contact the French Commissioner directly if they were interested in sharing this facility. As it received no expressions of interest, and because of the difficulty in making suitable arrangements in the time available, France decided not to take the matter further with respect to IWC/57. However, France had indicated the possibility of contributing financially towards the provision of interpreters at IWC/58. France confirmed this during the F&A Committee meeting.

The Secretariat noted that francophone countries were making use of the interpretation equipment provided by the Government of Korea, but that so far no Spanish-speaking country was doing so.

F&A COMMITTEE DISCUSSIONS AND RECOMMENDATIONS

Several francophone countries thanked France for its initiative, but expressed the view that contrary to the decision taken last year, the Secretariat should be responsible for arranging for interpreters and that the Commission should cover the costs. Only then would they be able to participate fully in the meetings. It was suggested that these comments indicate that last year's decision was short-sighted and should be reviewed so that all governments can take part in meetings on an equal footing.

Other countries (many of them non-anglophone countries), while acknowledging the difficulties for delegates for whom English is not their first language, felt that the decision taken at IWC/56 was not unreasonable given the costs involved, and noted that it could be reviewed once more experience had been gained. It was also suggested that under this arrangement, the Secretariat should give a deadline to countries to indicate their wish to use simultaneous interpretation facilities. In the absence of interest, the Secretariat should not arrange for facilities to be available.

The view was expressed that if the ICRW does not state that English is the official language of the Commission, then the Commission should provide facilities for French and Spanish. The Secretariat clarified that English is the official language of the Commission as given in Rule of Procedure N.1¹.

In drawing discussions to a close, the Chair noted the different views expressed and the F&A Committee agreed that he should report these to the Commission.

¹ 'N. Language of the Commission. 1. English shall be the official working language of the Commission but Commissioners may speak in any other language, if desired, it being understood that Commissioners doing so will provide their own interpreters. All official publications and communications of the Commission shall be in English.'

3.1.3 Translation of documents

INTRODUCTION BY THE SECRETARIAT

At IWC/56, some Contracting Governments believed that in addition to providing facilities for simultaneous interpretation, provision should also be made for the translation of documents. Others however were reluctant to address this issue before the implications, particularly of cost, could be properly addressed. The Commission had therefore agreed that the Secretariat should work intersessionally with a small Task Force to develop cost estimates and implications for the provision of document translation at Annual Meetings and to report back to the F&A Committee at IWC/57 in Ulsan. A letter inviting Contracting Governments to join the Task Force was circulated to Contracting Governments, but as only one Government (Japan) expressed interest, a Task Force was not established. A preliminary exploration of costs and implications for the provision of document translation for IWC Annual Meetings, together with an overview of the practice in a number of other international organisations, was therefore developed by the Secretariat alone (IWC/57/F&A3).

Cost estimates (based on information from four translation companies) were developed for the translation of the following documents.

- Report of the Scientific Committee (including Annexes, i.e. the sub-committee reports).
- Documents prepared for the meetings of the Commission's various sub-groups.
- Commission plenary documents (including reports from the Commission's sub-groups, Resolutions and Opening Statements).
- Chair's Report of the Annual Meeting.

In developing these estimates consideration was given to a number of associated issues including turn-around time (i.e. the time between the document being available and being discussed at a meeting), who does the translation and where they are based (e.g. at the meeting or at a location elsewhere – 'offsite') and confidentiality arrangements. An indication of the translation costs by meeting/document type is provided in Table 1.

Document	Off-site translation	<i>In situ</i> translation
Report of the Scientific Committee	£20,600 incl. Annexes, or £4,500 excl. Annexes	£41,700 incl. Annexes, or £9,100 excl. Annexes
Commission sub-group documents	£9,400	£19,000
Commission plenary documents	£20,000 incl. Opening Statements, or £16,000 excl. Opening Statements	£40,400 incl. Opening Statements, or £32,000 excl. Opening Statements
Chair's Report	£4,500	<i>No need for in situ translation – assume off-site translation at £4,500</i>
Total cost per language (depends on which documents are translated)	£33,500-£54,000	£64,600-105,600

The Secretariat stressed that cost is not the only factor that needs to be considered when deciding whether or not to translate documents. It is also necessary to consider the feasibility and implications of doing so. While translation of documents submitted in advance of the Annual Meeting series ought not to be a particular problem, the Secretariat

suggested that translation of documents written during the meeting series represents a significant challenge depending on which documents are translated. This is particularly true with respect to translation of the reports of the Scientific Committee and Commission sub-groups. These only become available 1-3 days before the Commission plenary. Translation of these documents would therefore require a team of translators almost certainly working *in situ*. For translation into one language, this would represent some 286,500 words (92 days translation – 31 translators over 3 days) if the whole Scientific Committee report plus sub-group reports are translated, some 83,000 words (27 days translation – 9 translators over 3 days) if only the main body of the Scientific Committee report plus sub-group reports are translated, or some 26,000 words (8 days translation – 3 translators over 3 days) if only the sub-group reports are translated. Given the current nature of the Commission Plenary where a number of Resolutions and Schedule amendments are submitted during the meeting, the Secretariat suggested that it would probably be necessary to have translators *in situ* during this period also. The Secretariat noted that, based on the requirement for translating all documents, each of the four companies contacted expressed extreme concern as to the difficulty of organising a group of translators of an appropriate size to travel to the Annual Meeting.

Finally the Secretariat pointed out that a move to translation of documents is not a trivial matter either in terms of costs or logistics and suggested that matters requiring particular consideration include at least the following:

- (1) Identification of those documents for which translation is necessary and possible. While the Report of the Scientific Committee is one of the most important documents to be considered by the Commission, its translation would present significant logistical problems. It may also be of too technical a nature. On the other hand, it would presumably be useful to translate shorter, less technical documents on which action is required, such as Resolutions and Schedule amendments, but translation of Opening Statements, for example, may be considered as lower priority. The decision on which documents should be translated will have an impact on how many translators would be needed *in situ* during a meeting and the length of time they would need to be present. The usefulness of translating only a summary of certain types of documents, rather than the full documents could also be considered. Some translation companies also offer an abstraction service where the texts are summarised rather than being translated in total. This would reduce costs and time-scale for translation. Another option would be to set a maximum number of pages per document. Parties submitting longer documents would be required to translate the documents themselves.
- (2) Languages. Into which language(s) documents should be translated? If a decision is taken to translate documents, it will be necessary to revise Rule of Procedure N. 1 accordingly.
- (3) Quality control. Particularly in the case of technical documents, it will be important to ensure that translation has been done accurately.
- (4) Translators and administration. Should translating companies or freelance translators be used? Should the

Secretariat engage its own in-house translators (a draw-back to this is that the work load would be very uneven during the year)? Is there scope for a mixture of both internal and external translation? Is there a need for translators to be working *in situ* at a meeting? Is there scope for using translation software? The need for, and workload of, the Secretariat to administer external translation should not be overlooked.

- (5) Document submission deadlines. It would be useful to have as many documents as possible submitted well in advance in order that they can be translated before the Annual Meeting.
- (6) Costs and how they should be met.

On the basis of this preliminary review, the Secretariat strongly recommended that if the Commission wishes to pursue the issue of document translation, further consideration should be given to how to handle this in the context of IWC before any decision is taken to move to full-scale translation. Certainly the Secretariat would wish to have more in-depth consultations with other comparable organisations already translating documents to build on their practices and experiences. Consideration could also usefully be given to, *inter alia*:

- (1) the usefulness of establishing a Task Force or Working Group that could develop detailed and properly-costed recommendations for the Commission to review at its next meeting; and
- (2) pilot projects.

F&A COMMITTEE DISCUSSIONS AND RECOMMENDATIONS

The Committee thanked the Secretariat for its comprehensive and useful document.

Views on the possibility of moving to document translation fell broadly into two groups. Some countries, while understanding and sympathising with the difficulties faced by others felt that the Commission should take time to understand all the implications before moving in this direction. Based on their experiences with other organisations like CITES and CCAMLR which have more than one official language, some non-anglophone countries commented on the advantage IWC has in terms of simplicity and meeting efficiency with having only one official language. There was a suggestion that the difficulties for non-anglophone countries might be eased if more documents, including Resolutions, were available further in advance thus allowing more time for review. It was also suggested that given the importance of the Scientific Committee report to the work of the Commission, divorcing the Scientific Committee meeting from the Commission meeting may also be advantageous.

Other countries recognised the significant implications to the Commission of moving to document translation but called for equity among all Contracting Governments and urged that steps be taken in this direction. They did not believe that the Commission could continue with the status quo, particularly given the increasing membership. One non-anglophone country commented that while it could handle documents in English made available well in advance of meetings, it had more difficulties with those provided at short notice during meetings – such documents often being very important and requiring a lot of discussion. There was general agreement that priorities for document translation needed to be developed. There were suggestions that:

- (1) the costs of document translation be compared/offset with having Annual Meetings every two years instead of annually;
- (2) a phased-approach be taken, starting with translation into French on a trial basis before consideration of other languages; and
- (3) that the possibility of pilot projects be considered.

After this exchange of views the F&A Committee **agreed** to recommend to the Commission that the Secretariat explore the matter further, taking into account the various suggestions proposed by delegates and ideas it had put forward in IWC/57/F&A3. It would develop a paper for review by all Contracting Governments with a view to some decisions being taken at IWC/58 next year.

3.1.4 Frequency of meetings

INTRODUCTION BY THE SECRETARIAT

Through Resolution 2004-7, adopted at IWC/56, the Commission decided that a Working Group be established to investigate and make recommendations on the implications of less frequent meetings of the IWC and to report to IWC/57 in Ulsan. Argentina, Germany, Ireland, Peru, Kenya, Spain, Tuvalu, Chile, Norway and the Republic of Korea subsequently indicated their wish to join the group. As the Commissioner for Ireland had been the principle proponent of the Resolution, the Secretariat, after consultation with the Commission Chair, invited him to convene the group with support from the Secretariat. He agreed. Subsequently during discussions between the Commissioner for Ireland and the Secretariat, it was also agreed that as a starting point it would be useful to pull together the following background information for consideration by the Working Group.

- A review of those activities (if any) that are required by the Convention, the Schedule and/or the Rules of Procedure and Financial Regulations to be done on an annual basis.
- An overview of the frequency of meetings of the principle decision-making and subsidiary bodies of selected Conventions and the extent of the intersessional activities of these Conventions.

Due to the other commitments, the Secretariat had been unable to develop this background information in time to send it to the Working Group for review prior to the F&A Committee meeting at IWC/57 in Ulsan. Document IWC/57/F&A9 therefore represented a preliminary exploration by the Secretariat in response to Resolution 2004-7. It could also form part of the basis for future discussions of the Working Group if the Commission so wished.

The Secretariat reported that it had reviewed the organisational structure and frequency of meetings of the decision-making and subsidiary bodies of the following Conventions: Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES); Convention on Biodiversity (CBD); Convention on Migratory Species (CMS); Convention on Wetlands (Ramsar); Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR); Inter-American Tropical Tuna Commission (IATTC); and International Convention for the Conservation of Atlantic Tunas (ICCAT). CITES, CBD, CMS and Ramsar were selected as their principle decision-making bodies (Conference of Parties – COP) meet at intervals of 2 or 3 years, depending

on the organisation. CCAMLR, IATTC and ICATT were selected as, like IWC, they are involved with conservation and management of marine resources.

CONVENTIONS WHOSE DECISION-MAKING BODIES MEET AT INTERVALS OF GREATER THAN ONE YEAR

Although the COPs of CITES, CBD, CMS and Ramsar meet at intervals of more than one year, the Secretariat noted that all four organisations have sizeable subsidiary bodies (some are open to all Parties, some have restricted membership) that meet between COPs, with a number meeting on at least an annual basis. CITES, CMS and Ramsar have Standing Committees that guide the implementation of their Conventions between COPs. The CBD has a Bureau that provides guidance to the Executive Secretary during the intersessional period. These Standing Committees and Bureau are not open to all Parties; rather members are Parties representing different geographic regions. The budgets of CITES, CMS and Ramsar are developed on a 3-year cycle with financial contributions from Parties due on an annual basis. The CBD operates on a 2-year budgetary cycle, but with contributions due on an annual basis. CITES and the CBD commented that one of the drivers for increasing the period between COPs was cost.

CONVENTIONS WHOSE DECISION-MAKING BODIES MEET ON AN ANNUAL BASIS

CCAMLR, IATTC and ICCAT have organisational structures similar to IWC, with meetings of their Commissions and most subsidiary bodies taking place on an annual basis. Most subsidiary bodies meet in conjunction with the respective Commissions. While IATTC and ICCAT are moving towards setting management measures (including Total Allowable Catches, i.e. TACs) on a multi-annual basis, they indicated that the nature of their work currently necessitates annual meetings (one reason being because the multi-year measures will not be over the same period for all species). CCAMLR explained that the main reason for its annual cycle is because its approach to managing the Antarctic marine ecosystem is precautionary and much of its work is in its infancy.

IMPLICATIONS/CONSIDERATIONS IF IWC MEETINGS HELD LESS FREQUENTLY

The Secretariat reported that it had reviewed the activities required by the Convention, the Schedule and/or the Rules of Procedure and Financial Regulations to be done on an annual basis and the Terms of Reference of the Commission's sub-groups. It noted that there is nothing in the Convention that requires the Commission to meet annually. The requirement for annual meetings is written in Rule of Procedure B.1 and therefore could be changed by simple majority.

The only provision in the Schedule requiring action by the Commission on an annual basis is the review of the quotas for the taking of bowhead whales from the Bering-Chukchi-Beaufort Seas stock and the Eastern stock of gray whales in the North Pacific). The Schedule does not require annual reviews for the aboriginal hunts of fin and minke whales off Greenland or humpback whales off St. Vincent and The Grenadines, although this is done in practice. If the Commission were no longer to meet on an annual basis, the Secretariat suggested that consideration would need to be given to mechanisms for the review of aboriginal subsistence catch limits. It noted that the management approaches being developed for aboriginal subsistence

whaling will, when implemented, set quotas for a 5-year period thus reducing the need to review them annually. However, the 5-year periods may not be concurrent for all the hunts, thus meeting every five years would not be an option. Review of catch limits by the Commission by correspondence would be difficult. Similar considerations would arise should the Commission decide to set commercial whaling catch limits other than zero using the RMP. From the point of view of the work of the Scientific Committee, it would not be practical if *Implementation Reviews* and *Implementations* of all catch limits for aboriginal subsistence whaling (and possibly in the future commercial whaling) occurred at the same meeting.

The Secretariat noted that the Schedule also requires that proposed special permits are reviewed and commented on by the Scientific Committee at Annual Meetings when possible. The Schedule does allow for review by correspondence, but if the Scientific Committee were no longer to meet annually, then this provision would need to be revised.

The Commission's Rules of Procedure and Financial Regulations refer to a number of activities that are currently required on an annual basis. Most would require relatively minor editorial changes should there be a decision for the Commission to no longer meet on an annual basis. Consideration would, however, need to be given to how the Commission's budget was developed and managed. Lengthening the period between Commission meetings would have implications on the duration of office of the Chair and Vice-Chair. Currently it is usually the case that the Vice Chair becomes Chair, implying a 6-year commitment from those involved. If the Commission met every two years, then it might be acceptable for the period of office to be 4 years, giving a commitment of 8 years. However it is unlikely that government officials could commit to anything longer (and 8 years may already be too long). Whether the period between Commission meetings was to be 2 or 3 years, consideration could be given to having the term be equal to the period between meetings, recognising that this would mean a new Chair and Vice-Chair at every main Commission meeting. Like other Conventions whose decision-making bodies meet at intervals of more than one year, if the IWC Commission was to meet on a less-frequent basis, there may be a need to establish a Standing Committee, Bureau or other body that would be able to guide the implementation of the Convention between meetings.

The Rules of Procedure for the Scientific Committee require a certain number of activities on an annual basis, dealing mainly with organisation and running of its meetings and appointment of its Chair and Vice-Chair. These could all be revised given simple majority support. Lengthening the period between meetings of the Scientific Committee would have the same implications on the term of office for its officers as would lengthening the period between meetings of the Commission have on its Chair and Vice-Chair. The work programme of the Scientific Committee is currently agreed by the Commission on an annual basis. The present workload of the Scientific Committee is such that it requires a number of intersessional workshops and/or pre-meetings for it to complete its work. The iterative nature of much of its work requires continuity and regular review of the work of the sub-groups by the full Committee to allow progress to be made.

Given the terms of reference for the Commissions other sub-groups (e.g. Infractions Sub-committee, Aboriginal Subsistence Whaling Sub-committee, Working Group on Whale Killing Methods and Associated Animal Welfare Issues) the Secretariat noted that there are no particular implications should the Commission decide that they meet on a less frequent basis than annually.

F&A COMMITTEE DISCUSSIONS AND RECOMMENDATIONS

The Committee thanked the Secretariat for its report. All members making interventions viewed favourably a move to biennial meetings at least in principle. Some however noted the considerations and practical consequences highlighted by the Secretariat, especially in relation to the setting and review of aboriginal subsistence quotas, and possibly, in the future, commercial whaling quotas, and the current heavy workload of the Scientific Committee and urged that a decision not be taken in haste. Given the efforts currently underway to try to agree an RMS, some also questioned whether now is the right time to reduce meeting frequency as this may further delay progress on this issue. Caution was also expressed about the possibility that lengthening the period between Commission/Scientific Committee meetings might increase the number of intersessional meetings since this could create difficulties for some, particularly developing, countries to participate fully. There was a suggestion that consideration be given to reducing the duration of the Annual Meeting series rather than the frequency between meetings. Others however, believed that the obstacles to reducing meeting frequency were not great and could be overcome without too much difficulty. It was suggested that the Secretariat consider and develop proposed timelines relating to how the necessary revisions to the Schedule, in particular, could be addressed. The link between off-setting costs of interpretation and document translation by reducing meeting frequency was also mentioned.

The Chair noted that since plans are already in place for IWC/58 next year, and that a meeting is needed in 2007 to consider renewal of aboriginal subsistence catch limits, there is sufficient time for further reflection on the issue of meeting frequency. Given that the Working Group established after IWC/56 had not yet had a opportunity to address the requests in Resolution 2004-7, the Chair proposed that this be done between IWC/57 and 58 (via email correspondence) with a view to making recommendations to the Commission next year. He suggested that document IWC/57/F&A9 and comments/suggestions at this meeting be used as a basis for discussions. The F&A Committee **agreed** to the Chair's proposal. The Committee also **agreed** to augment the Working Group with interested countries that have aboriginal subsistence whaling hunts given the potential implications to these hunts of lengthening the period between meetings of the Commission.

3.2 Legal advice in relation to the IWC

At the 5th Special Meeting of the Commission in Cambridge in October 2002, the Netherlands raised the issue of how the Commission might better address legal issues it may face in the future. The Netherlands presented some ideas on this matter to the Commission at IWC/55 and on the basis of these, the Commission agreed to ask the Secretariat to explore how other Conventions deal with legal issues and the legal issues they have faced. The

Secretariat reported on these aspects to the Commission at IWC/56 last year (IWC/56/13). The Netherlands also introduced a paper at IWC/56 (IWC/56/18) that set out options for addressing future legal issues. The Commission did not have time to discuss the Dutch paper in detail and agreed that it should be referred to the F&A Committee at IWC/57 in Ulsan for review.

At the F&A Committee meeting in Ulsan, the Netherlands introduced document IWC/56/18 that included a number of options on how legal issues that may arise within IWC could be addressed. These included:

Option 1

Appointment of a legal officer to the IWC Secretariat staff.

Option 2

Establishment of a legal committee, which could be standing or convened on an *ad hoc* basis.

Option 3

Roster of legal experts on which IWC could call for advice and which could consist of experts nominated by Parties.

Option 4

Recourse to external legal advice on an *ad hoc* basis (e.g. private advice from a consultant, law firm, or panel of lawyers convened for this purpose, from legal offices of other international organisations, from the Depositary government).

Option 5

Access to existing international judicial institutions (e.g. the International Court of Justice, the International Tribunal for the Law of the Sea, the Permanent Court of Arbitration).

The Netherlands noted that these options are not mutually exclusive and that an optimal legal function may require the selection of a mix of options. The Netherlands also pointed out that it had not included options for the settlement of disputes that may arise between Contracting Governments or in connection with compliance with the Convention by Contracting Governments. Several delegations welcomed the documents from the Netherlands and the Secretariat.

New Zealand re-iterated its view that the 1946 International Convention for the Regulation of Whaling is deficient in its legal mechanisms (e.g. for dispute settlement and compliance issues), lagging behind international best practice. It considered that legal issues would continue to cause difficulties with the work of the Commission. Of the options offered by the Netherlands, New Zealand favoured Option 2, noting the considerable legal expertise amongst delegations to IWC. It suggested that such a committee could be particularly useful with respect to work on the RMS (itself a legal instrument), particularly in relation to drafting Schedule text which is difficult to do in a larger group.

While Australia understood the rationale behind the views of New Zealand, its preference was to continue to address legal issues within the Commission by working with *ad hoc* groupings of Contracting Governments. It believed that a legal committee may develop views that would be contrary to those of Contracting Governments which would create problems. Denmark believed that legal advice should be sought from impartial persons and expressed a preference for appointing someone with legal expertise to the Secretariat staff (Option 1). The Secretary

noted that there would not normally be sufficient legal issues to justify having a staff person for just these matters and that anyone appointed would need to be able to take on other duties. The UK believed that none of the options suggested are without difficulties and that no legal advice is impartial. It thought Australia's view had great merits. Monaco had a similar opinion.

Dominica noted that it would need to solicit further advice on this matter before making any substantive comments. Japan sensed that there were differences of opinion regarding the scope and target of legal advice. It noted that the Netherlands' paper did not cover issues relating to dispute settlement or compliance with the Convention, although these matters had been referred to by New Zealand. It was Japan's view that different mechanisms would be needed to deal with different issues.

Given the different views expressed, the Chair suggested that it would not be possible to reach agreement on any particular option or way to proceed and suggested that these different views simply be reported to the Commission. The F&A Committee **agreed**.

3.3 Amendments to the Rules of Procedure

At IWC/55 in Berlin in 2003, the Commission agreed to add the following footnote to Financial Regulation F to clarify what is meant by the phrase 'received by the Commission' as used in Financial Regulation F.1²:

'For the purposes of the Financial Regulations the expression 'received by the Commission' means either (1) that confirmation has been received from the Commission's bankers that the correct amount has been credited to the Commission's account or (2) that the Secretariat has in its possession cash, a cheque, bankers draft or other valid instrument of the correct value.'

The Secretariat reported to the F&A Committee that after further consideration, it does not consider that presentation of a cheque to the Secretariat should qualify as the annual payment being 'received by the Commission' as a cheque does not guarantee payment unlike a bankers draft or international money order. The Secretariat therefore proposed that the footnote be revised as follows:

'For the purposes of the Financial Regulations the expression 'received by the Commission' means either (1) that confirmation has been received from the Commission's bankers that the correct amount has been credited to the Commission's account or (2) that the Secretariat has in its possession cash or bankers draft/**international money order** of the correct value.'

The F&A Committee **agreed** and **recommends** to the Commission that the revised footnote be adopted and take effect after IWC/57.

² F. 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.

4. FORMULA FOR CALCULATING CONTRIBUTIONS

4.1 Revision of the Contributions Formula

4.1.1 Overview of the work to date

The Secretariat introduced document IWC/57/F&A8 that gave a summary and status of work to revise the financial contributions scheme. It was noted that a proposal to revise the contributions formula was first made by Antigua and Barbuda at the 51st Annual Meeting in Grenada in 1999. A Contributions Task Force was then established at IWC/52 charged with developing a revised set of principles to guide the IWC in developing an alternative contributions formula. The Commission endorsed a set of guiding principles at its 53rd meeting in 2001 (i.e. openness, stability; fairness; and user pays) and agreed that the Task Force should continue its work to develop a new contributions formula and performance criteria against which future models would be assessed. It met twice between IWC/53 and IWC/54. At IWC/54, the number of models being considered by the Task Force was reduced to two. These models placed Contracting Governments into bands (groups) for their capacity to pay ('wealth factor') and used bands to allocate shares for delegation size at Annual Meetings. With respect to taking into account whaling activity, both models converted catches into minke whale 'equivalents' and both presented options on how to weight the different types of whaling. Again the Commission agreed that the Task Force should continue with its work intersessionally between IWC/54 and IWC/55.

During this period, the Task Force took a 'fresh look' at the ways in which the revised scheme was being put together. The 'fresh look' involved some re-examination of certain aspects of the contribution scheme on which there had been broad agreement, but also suggested approaches on how to handle issues related to the treatment of whaling and the inclusion of whalewatching and small cetaceans as requested by the Commission at IWC/54. One of the biggest changes resulting from the 'fresh look' was the proposal to move away from banding data (i.e. in the case of economic data and attendance at meetings) to the use of the real data themselves. The use of actual economic data in particular was seen by the Task Force as having advantages over the use of bands in terms of stability and fairness³. The Task Force remained unable to reach agreement on the % of the total contribution that each of the four elements (membership, wealth/capacity to pay, use and meeting attendance) should represent. Further work also remained regarding development of an appropriate index to represent realistically the capacity-to-pay of Contracting Governments.

At IWC/55, the Commission agreed that the Task Force should continue to try to make progress and that this should involve an intersessional meeting prior to IWC/56 in Sorrento. However, the Commission also agreed to allow Henrik Fischer, Chair of the Commission, to convene a small group of his choosing to explore ways of taking the RMS process forward, including consideration of how RMS costs might be apportioned. Given this intersessional

³ While the use of bands for economic data has an attraction of simplicity, it may result in problems of stability and fairness when countries are near a border and unfairness when the bands are broad. With modern computers the need for the banding approach for simplicity is largely unnecessary.

work on the RMS and its potential implications for any revised contributions formula, the Commission Chair believed that it would be prudent to delay further work of the Task Force until these implications could be assessed. Consequently, while continuing to recognise the high priority the Commission gives to the development of a revised contributions formula, it was decided, after consultation with the Advisory Committee, to postpone the meeting of the Task Force scheduled to take place prior to IWC/56. Last year, the Commission again agreed (via Resolution 2004-6) to significant intersessional work on the RMS. Accordingly no work was scheduled for the Contributions Task Force. The status of the work on revision of the contributions scheme therefore remains as it was at the end of IWC/55 (see Appendix 4).

4.1.2 F&A Committee discussions and recommendations

A number of countries were of the opinion that the work of the Task Force to develop a more permanent revised contributions formula should be resumed. They noted that even under the Interim Measure adopted at IWC/54, some less developed countries still had difficulties in paying their financial contributions. It was suggested that the Task Force meet intersessionally between IWC/57 and IWC/58 and that consideration be given to seeking advice from the UN 5th Commission, Committee on Contributions.

Several countries from capacity-to-pay Groups 3 and 4 noted that their financial contributions had risen sharply under the Interim Measure and considered that there is no merit in further work to revise the contributions formula before the cost implications of any RMS were known.

The Chair noted the two views expressed and the F&A Committee **agreed** that these should be reported to the Commission.

4.2 Possible criteria to define 'very small' countries in the context of the interim measure for calculating financial contributions

4.2.1 Background

During IWC/56 Monaco and San Marino introduced a proposal to transfer their two countries from capacity-to-pay Group 3 to Group 2 under the Interim Measure. It was also proposed that this transfer have no effect on the contribution of Contracting Governments belonging to capacity-to-pay Group 1.

Under the Interim Measure, Contracting Governments are allocated into one of four 'capacity-to-pay' groups depending on their GNI and GNI per capita as follows:

Group 1	Countries with GNI <US\$10,000,000,000 and GNI/capita <US\$10,000;
Group 2	Countries with GNI >US\$10,000,000,000 and GNI/capita <US\$10,000;
Group 3	Countries with GNI <US\$1,000,000,000,000 and GNI/capita >US\$10,000; and
Group 4	Countries with GNI >US\$1,000,000,000,000 and GNI/capita >US\$10,000.

Financial contributions are initially calculated using the 'old' formula. Group 1 and 2 countries were then given a 50% and 25% discount for the years 2002/03 and 2003/04 which was further reduced in 2004/05 by 25% and 10% respectively. The shortfall is distributed according to the

following proportions: whaling countries 10%; Group 3 countries 30%; Group 4 countries 60%.

Monaco explained that the aim of the proposal was to correct an anomaly in the Interim Measure caused by an overestimation of the capacity-to-pay of very small countries. It suggested that Monaco qualified for this status as it has an area of only two square kilometres and a population of only 32,000. Most of the population are expatriates who, because no tax is levied, contribute nothing to the GNI of Monaco. It also noted that Monaco's GNI (some 1.3 billion US\$) is one of the lowest of those countries that are members of IWC. Monaco did not believe that it should be placed in Group 3 simply because it has many wealthy expatriates and suggested that it and San Marino (for the same reasons) be transferred to Group 2.

The proposal was adopted on being put to a vote (Resolution 2004-4). The Chair suggested the Contributions Task Force give further consideration to defining what is meant by 'very small countries' in order that similar future decisions could be based on agreed criteria rather than being on an *ad hoc* basis. Monaco suggested that one criterion might be countries with GNI < 5 billion US\$.

4.2.2. Possible criteria to define 'very small countries'

The Secretariat presented a paper (IWC/57/F&A6) containing possible criteria to define very small countries. The factors to be considered when classifying a country as 'very small' in the context of the Interim Measure might include: Gross National Income (GNI); Gross National Income per Capita (GNIPC); population; and land area.

The paper used the World Bank's 'World Development Indicators database' (WDID) to assess possible criteria to define 'very small country status'. The World Bank (WB) data applies to 'economies', rather than to countries in every instance. The paper therefore used 'economies' as identified by the WB as the initial unit of assessment and a comparison of population, GNI and GNIPC of smaller economies e.g. island states, city states and small autonomous economies (40 in all) was made. The WB does not always provide complete data for the smaller economies. In these cases and in the absence of perhaps more appropriately-sourced data, an alternative source was used, i.e. Lonely Planet (LP) Travel Guides. As many of the smaller economies are also tourist destinations, LP provides a single source of data for the purposes of the discussion paper.

A land area of 5,000 square kilometres and/or a population of 100,000 were arbitrarily taken as an initial filter to be applied to the available data. Monaco referred to land area as a function of a country's size. Whilst this is true in terms of geography, it is of much less importance economically. Land area was therefore not suggested as an appropriate criterion to be used to define 'very small countries'.

If a population of less than 100,000 is taken as one measure of a 'very small country' then the 40 economies initially identified are reduced to the 19 shown in Table 2 below. Table 2 includes Antigua and Barbuda, Dominica, Grenada, Kiribati, Palau and St. Kitts and Nevis, all existing members of the IWC with Group 1 status, but also includes Monaco and San Marino. A further rule might be applied which recognises an enhanced ability to pay in comparison with a Group 1 country, but without the burden

that Group 3 status would place on a 'very small country'. If a further rule is applied, i.e. to only include those economies with a GNIPC in excess of US\$10,000, the result is Table 3.

Table 3 includes Monaco and San Marino i.e. the two IWC members who proposed the introduction of the category of 'very small countries'. The other 7 'economies' are more developed than the Group 1 members in Table 2, but nevertheless have limited resources due to small populations.

As indicated above, at IWC/56 Monaco suggested that one criterion might be countries with GNI < 5 billion US\$. In the context of 'very small countries', this amount might be a viable maximum, beyond which Group 3 status would be both justifiable and equitable.

4.2.3 Secretariat's proposal

While the criteria to define the four capacity-to-pay groups adopted in Resolution 2004-4 allot countries in a sensible way in most cases, it would appear that the criteria for Group 3 catch some countries that, because of their very small 'size' (relatively lower GNI usually linked with a small population), have a more limited capacity to pay than others in Group 3. The Secretariat therefore proposed that the Finance and Administration Committee consider whether the following criteria, should be put forward to the Commission to define a 'very small country' for the purpose of calculating Financial Contributions.

'Out of consideration of their very small size, and therefore limited capacity to pay a "very small country" will have:

(a) a population of less than 100,000; AND

(b) a GNI of less than US\$ 5 billion; AND

(c) a GNIPC of more than US\$ 10,000;

and as a "very small country" will be placed in capacity-to-pay Group 2.'

The Finance and Administration Committee was also asked to consider and comment on the use of Lonely Planet data as an interim source of population and economic data until a reputable institutional source can be found to replace it. Alternatively Contracting Governments could be asked to provide their own information.

4.2.4 F&A Committee discussions and recommendations

Denmark requested that the status of the Faeroe Islands and Greenland as distinct economies (in the data used for the discussion paper) be highlighted and not confused with their administration under the Danish Crown.

The Committee **agreed** that the criteria shown above are appropriate to define a 'very small country' and **recommends** to the Commission that they be applied in the calculation of Financial Contributions for the financial year 2005-2006 onwards.

The Committee further agreed that the use of Lonely Planet data as an interim source of population and economic data until a reputable institutional source can be found to replace it is acceptable and **recommends** to the Commission that they be applied in the calculation of Financial Contributions for the financial year 2005-2006 onwards.

Table 2

A comparison of Population, GNI and GNIPC of Smaller Economies (using data from World Bank and Lonely Planet) for economies with populations less than 100,000.

Economy	Population from LP	Population from WB	Pop	GDP	GNI	GNI	GDP per capita	GNIPC	GNIPC
	000	000	WB/LP	from LP (US\$ billion)	from WB (US\$ billion)	WB/LP	from LP	from WB	WB/LP
American Samoa	69	57	83%	0.50	..	..	8,000	..	..
Andorra	68	66	97%	1.30	..	..	19,000	..	..
Antigua and Barbuda	66	79	119%	0.52	0.72	137%	8,200	9,160	112%
Aruba	69	99	144%	1.50	..	..	22,000	..	..
Bermuda	63	64	102%	1.98	..	..	30,000	..	..
Cayman Islands	39	42	107%	0.93	..	..	24,500	..	..
Dominica	72	71	99%	0.23	0.24	105%	3,400	3,330	98%
Faeroe Islands	46	47	101%	1.00	..	..	22,000	..	..
Greenland	56	56	99%	1.10	..	..	20,000	..	..
Grenada	90	105	117%	0.34	0.39	114%	3,500	3,710	106%
Kiribati	84	96	114%	0.06	0.08	151%	910	860	95%
Liechtenstein	33	33	100%	0.83	..	..	25,000	..	..
Marshall Islands	60	53	88%	0.11	0.14	129%	1,830	2,710	148%
Monaco	32	33	103%	0.87	..	..	27,000	..	..
Northern Mariana Islands	80	76	95%	0.49	..	..	8,400	..	..
Palau	18	20	109%	0.16	0.13	81%	8,700	6,500	75%
San Marino	28	28	100%	0.94	0.65	69%	34,600	..	..
Seychelles	79	84	106%	0.59	0.63	106%	7,000	7,490	107%
St. Kitts and Nevis	41	47	115%	0.19	0.31	161%	4,529	6,630	146%

Table 3

A comparison of population, GNI and GNIPC of Smaller Economies (using data from World Bank and Lonely Planet) for economies with populations less than 100,000 and a GNIPC in excess of USD10,000.

Economy	Population from LP	Population from WB	Pop WB/LP	GDP from LP (US\$ billion)	GNI from WB (US\$ billion)	GNI WB/LP	GDP per capita from LP	GNIPC from WB	GNIPC WB/LP
	000	000							
Andorra	68	66	97%	1.30	..	..	19,000	..	..
Aruba	69	99	144%	1.50	..	..	22,000	..	..
Bermuda	63	64	102%	1.98	..	..	30,000	..	..
Cayman Islands	39	42	107%	0.93	..	..	24,500	..	..
Faeroe Islands	46	47	101%	1.00	..	..	22,000	..	..
Greenland	56	56	99%	1.10	..	..	20,000	..	..
Liechtenstein	33	33	100%	0.83	..	..	25,000	..	..
Monaco	32	33	103%	0.87	..	..	27,000	..	..
San Marino	28	28	100%	0.94	0.65	69%	34,600	..	..

5. FINANCIAL STATEMENTS, BUDGETS AND OTHER MATTERS ADDRESSED BY THE BUDGETARY SUB-COMMITTEE⁴

5.1. Review of the Provisional Financial Statement, 2004-2005

5.1.1 Report of the Budgetary Sub-committee

The report of the Budgetary Sub-committee (IWC/57/F&A4) was introduced by its Chair, Joji Morishita. The Provisional Financial Statement presented in IWC/57/6rev was circulated to the Sub-committee in April 2005.

The Secretariat introduced an updated version of Table 1 in IWC/57/6rev and reviewed briefly the changes that had occurred to produce an updated out-turn for 2004-2005. Total income is forecasted to exceed budget by £50k mainly due to financial contributions from new members, additional penalty interest and more bank interest received due to increases in the bank base rate of interest. Operational expenditure is forecasted to be below budget by £ 15k. due to savings in Secretarial costs (£20.5k), Publication costs (£14.6k) and Small Cetacean programmes (£23k of expenditure deferred), which were mainly offset by, increased expenditure on Research Programmes (£34.5k - mainly items deferred from previous financial years which had already been funded) and Other Meetings (£8k). Provision for Severance Pay has been reduced to reflect changes in staff at the Secretariat. This gives a projected surplus of income over expenditure of £ 40.5k, which, after transfers between funds, translates into a surplus of £110.5k. The balance on the General Fund is projected at about £1,070k at the end of the current financial year (31 August 2005). This represents about 130% of the target level (6 months expenditure: £1,640k x 50%).

Concern was expressed by some members at the size of reserves and whether they were necessary. Suggestions were made that a reduction in Financial Contributions could bring reserves down to the target level (50% of operating expenditure) and be of benefit to contributing governments with budgetary difficulties. Contrary suggestions were made that reserves above the target level were beneficial and allowed unexpected issues to be dealt with (e.g. contributing governments failing to pay financial contributions or an Annual Meeting having to be funded directly by the IWC if no contributing government offered to host the Annual Meeting). A further suggestion was

made that reserves above the target were advantageous if the accumulation of funds was required to enable the purchase of property to accommodate the Secretariat. The subject of reserves was held open for further discussion.

5.1.2 Secretary's report on the collection of financial contributions

The Secretariat referred to document IWC/57/F&A5. Total financial contributions and interest outstanding amounted to £541.7k, of which £138.3k referred to former members and £403.4 k referred to current members. Of the eight current members shown, five had their right to vote suspended for not paying financial contributions for the year 2004-2005 within 3 months of the due date.

5.1.3 F&A Committee discussions and recommendations

The Committee noted that the provisional statement shows a generally satisfactory situation and accordingly **recommends** to the Commission that the Provisional Financial Statement for 2004-2005 be approved subject to audit (Appendix 5).

The Secretary's report on the collection of financial contributions was noted by the Committee. It was noted that while decisions taken at IWC/54 in Shimonoseki in 2002 resulted in reductions to outstanding debts of a number of countries, some considerable debts remained. Given this and given that ways to relieve the debt burden of developing nations are being actively explored in other International Organisations, there was a suggestion made that IWC might wish to give some consideration to a one-off amnesty to relieve the debt burden of its own developing country members. The intention was not to take a decision at this meeting. While having sympathy for this suggestion, a number of countries expressed concern regarding precedents that might be set and possible knock-on effects such a move might have to other organisations. Nevertheless, the Committee **agreed** that the suggestion merits further consideration and **recommends** to the Commission that this be explored by the Secretariat who should develop proposals, including possible changes to Financial Regulations that might be needed, for possible decision-making next year.

5.2 Consideration of estimated budgets, 2005-2006 and 2006-2007, including the budget for the Scientific Programme

5.2.1 Report of the Budgetary Sub-committee

REVIEW OF PROPOSED BUDGET 2005-2006 (APPENDIX 6)

This aspect of the work done by the Budgetary Sub-committee was introduced by its Chair, Joji Morishita. He

⁴ £ k denotes thousands (£ '000).

highlighted the main factors affecting the formulation of the 2005-2006 proposed budget which were as follows:

Income

Income is projected to fall overall by about 2.0% (from £1,680k in the 2004-2005 revised out-turn to £1,646k in the proposed budget). This is due to the setting of sales of publications, voluntary contributions, meeting fees and bank interest at conservative levels.

Contracting Government Contributions

The total contributions required from Contracting Governments increase by 1.2% over the 2004-2005 budget, but contributions from individual Contracting governments decrease slightly compared with those for 2004-2005, with the exception of some Group 4 countries, because of the increase in the number of Contracting Governments. The very recent adherence of Luxembourg as a Group 3 country is expected to continue this trend.

Expenditure

3.2% has generally been used to allow for cost increases throughout the budgets for both years except where there are positive indications that different levels are required. This reflects current levels of inflation in the UK. Expenses are expected to be much the same as last year with the exception of one-off purchases such as the replacement of the Red House central heating boiler and the construction of a meeting room in 2004-2005. These items were excluded from 2005-2006 estimates as the boiler was replaced and the meeting-room built during the current financial year.

Reserves

The projected levels of the reserves at 124 % for the projected budget 2005-2006 may be considered satisfactory. It is recognised that the most prudent method to keep the General Fund at or above the target level (50% of operating expenditure in any year) is for income to match expenditure in any year. However because expenditure can be delayed or deferred to a later period, a surplus may result in one year when a break-even was expected. Timing differences can be dealt with by ensuring that the General Fund is maintained at the target level. This means that expenditure can exceed income in a given year and still maintain the General Fund at the target level. Unforeseen expenditure can obviously reduce the General Fund below its target level in a given year, which would then require higher Financial Contributions in the following year to bring the General Fund back to its target level.

The Budgetary Sub-committee Chair noted that the response of the Sub-committee to these main items of income and expenditure in the 2005/06 proposed budget were as follows:

Income and expenditure

No specific comments were received which the Chair regarded as agreement with the proposals.

Reserves

- The level of reserves should be considered over time, such that if a long-term upward trend emerged then alternative action should be considered to reduce them.
- The target level of reserves are indicative and not an exact amount.
- The target level of reserves should be followed as closely as possible.

- Could a distinction be drawn between a 'surplus' and 'reserves' and would guidelines be useful to manage them?
- Reserves provided a 'cushion' for expenditure authorised in plenary for which no budget allocation had been made.
- If the IWC wishes to purchase property in a few years time then reserves should not be used now but maintained until they were needed to provide a down-payment.

The Chair commented that some guidelines from the Secretariat might be useful regarding the management of funds, e.g. if the reserves are 20% above target then 10% might be applied to the annual budget to increase expenditure or reduce financial contributions or if the reserves are below target, that financial contributions be increased to allow reserves to reach the target level. Any guidelines would be subject to the wider consideration of the use of reserves, e.g. accumulating funds towards the purchase of a property or maintaining sufficient funds within the IWC to meet unforeseen expenditure such as the funding of an Annual Meeting. He suggested that the Secretariat prepare a paper for next year addressing this issue, keeping in mind the above points when developing a proposed budget.

NGO and media fees

The Chair of the Sub-committee reminded the Finance & Administration Committee that it was required to make a specific recommendation on the level of NGO and media fees for 2005-2006. The Secretariat had used levels of £610 and £40 respectively, based on the procedure used in 2004/05 for determining the level of increase in these fees, i.e. by linking the NGO fees to the rate of UK inflation (3.2% used for budgeting purposes) and by raising the media fee by a fixed amount of £5. The Sub-committee agreed that the levels originally outlined by the Secretariat should be adopted. Accordingly the Sub-committee **recommended** that for 2005-2006 the NGO fee be set at £610 and the media fee at £40.

Research expenditure proposed by the Scientific Committee for 2005-2006 (Appendix 7)

The Budgetary Sub-committee Chair explained that the Scientific Committee had identified projects totalling £409,400, which it considered necessary to properly carry out the Commission's requirements. However, the Scientific Committee recognised the financial constraints that applied, and accordingly had prepared a reduced list of items to get as near as possible to the target, which had been set at £265,000. The Scientific Committee had developed a reduced budget of £266,000 and 'strongly recommended that, at a minimum, the Commission accepts its reduced budget of £266,000, although it recognises that this is £1,000 over the suggested target of £265,000'.

The Budgetary Sub-committee Chair concluded that the Sub-committee was generally comfortable with the Scientific Committee's reduced budget, including the £1,000 increase above the target figure of £265,000 initially suggested.

The Sub-committee therefore recommended that the Finance and Administration Committee consider and forward the proposed budget for 2005-2006 (Appendix 6) to the Commission with a recommendation that it be adopted, together with the indicated level of financial

contributions from Contracting Governments. (A preliminary estimate of the contribution to be requested from individual governments is given in Appendix 8. Note however, that this is indicative only and subject to adjustment and confirmation in the light of e.g. actual meeting attendance).

FORECAST FOR 2006-2007

The Budgetary Sub-committee Chair explained that due to the many decisions that may follow from IWC/57, a detailed forecast budget prepared prior to the Annual Meeting in Ulsan would only have limited value. The forecast budget is therefore only intended to show the general trend if income and expenditure rise at the current level of UK inflation.

The Sub-committee therefore recommended that the Finance and Administration Committee take note and forward the forecast budget for 2006-2007 (Appendix 6) to the Commission.

5.2.2 F&A Committee discussions and recommendations

With respect to NGO fees, the question was raised as to whether all NGO's should be charged the same amount given the great variation in size between the organisations represented. The Secretariat indicated that this topic would be addressed under agenda item 6.

SUMMARY OF RECOMMENDATIONS TO THE COMMISSION

The F&A Committee **recommends** that:

- the proposed budget for 2005-2006 (Appendix 6) be forward to the Commission for its adoption;
- that the Commission takes note of the Forecast Budget for 2006-2007; and
- that for 2005-2006, the NGO fee be set at £610 and the media fee at £40.

5.3 Secretariat offices

5.3.1 Report of the Budgetary Sub-committee

The Chair of the Budgetary Sub-committee reminded the Committee of discussions at the previous two meetings of the Sub-committee.

At IWC/55, the Sub-committee recommended that the Secretariat explore a range of alternatives for the Secretariat's offices, including:

- (1) continuing to rent the Red House;
- (2) purchasing the Red House or another suitable property for the Secretariat's offices in Cambridge or elsewhere in the UK; and
- (3) relocation of the Secretariat to another member country; and report back to the Budgetary Sub-committee.

At IWC/56 the Sub-committee acknowledged that rent represented approximately 4% of the total budget, and was not an excessive cost. The need to retain expertise within the Secretariat was recognised and that this would be lost if the Secretariat were moved away from the Cambridge area. As there was still over 5 years until the current lease expired (it expires in March 2009), the Sub-committee had recommended that the Secretariat explore alternatives within the Cambridge area which might include the following:

- (1) To ask the NASCO (North Atlantic Salmon Conservation Organisation) Secretariat in Edinburgh, Scotland how it managed to purchase its Headquarters building in terms of funding and what effect their

status as an International Organisation had in buying property.

- (2) The possibility of the Red House being 'gifted' if tax laws allowed.
- (3) To keep the property market in Cambridge under active review.

In response to the BSC at IWC/56, the Secretariat had contacted NASCO and sought the advice of a Cambridge-based firm of Property Consultants with respect to alternatives in the Cambridge area. With respect to (2) above the Secretariat noted that there are currently many changes being proposed to UK inheritance tax law, so the options that may be available by 2009 are as yet unclear.

The Chair of the Budgetary Sub-committee described the advice provided by NASCO and the Cambridge-based firm of Property Consultants, possible alternatives to the Red House and a comparison of the renewal of the Red House lease with the purchase of commercial freehold property.

EXPERIENCE OF NASCO

NASCO purchased its property in 1984 for £350,000 (a large city residence in Edinburgh, Scotland, converted to office use). The purchase was financed by a 10-year loan. The current market value of the property is approximately £1,500,000. The building is at present too large for NASCO to fully occupy and so part of the property is sub-let, for which rental income is received.

The Secretary to NASCO offered several observations, some of which are included below.

- (a) A one-off increase in Financial Contributions to fund the purchase was unacceptable to members.
- (b) A ten-year purchase term allowed for acceptable increases in Financial Contributions.
- (c) Countries were initially sceptical and a vote was required to allow the purchase to proceed (most voted yes).
- (d) He prepared two ten-year cash flows, one for purchasing and one for leasing. He encouraged a longer view to be taken and highlighted the favourable cash flow that resulted from purchasing. The effect of two rent reviews in 10 years had a significant effect on making the option to purchase more attractive.
- (e) Purchasing property required more cash earlier compared to leasing (20% of property value as a deposit) so the long-term benefits had to be emphasised to overcome short-term scepticism.
- (f) Rights to the proceeds of sale of the property in the event of NASCO ceasing to exist were examined. A formula was agreed whereby ownership would be attributed in proportion to the contributions made by member countries over the purchase period.

PROPERTY CONSULTANTS (BIDWELLS)

Bidwells identified three market sectors that are relevant to the IWC with regard to office accommodation, i.e. Office Market, Industrial Market and Investment Market. They were also asked to provide indication of value of the Red House on the following bases: Freehold subject to the existing lease, Freehold with vacant possession.

OFFICE MARKET

Bidwells forecasted that prime rents will rise from £22.50 per sq ft in 2005 to £27 per sq ft in 2009 (4.7% p.a.).

INDUSTRIAL MARKET

Bidwells forecasted that prime rents will rise from £7.75 per sq ft in 2005 to £8.75 per sq ft in 2009 (3.1% p.a.).

INVESTMENT MARKET

Bidwells noted that the property investment market is currently strong as interest rates are still historically low and there has been relatively poor performance from alternative types of investment. The state of the investment market has implications for the supply of property to rent and the price that any property purchased as an investment might fetch on the open market.

VALUATION OF THE RED HOUSE

Existing lease: approx: £800,000; Vacant possession: approx. £785,000

ALTERNATIVES TO THE RED HOUSE

The Red House is occupied by the IWC on a full repairing and insuring lease, at a rent of £75,000 per annum payable from the 23 June 2005 until the lease expires in March 2009.

Most non-residential property in the Cambridge area is either dedicated to office use, storage or industrial use. The Red House is a little unusual in that it has dual-use i.e. (office and storage) and as such attracts a lower rental per square foot than a dedicated office building. Bidwells noted that generally industrial premises are cheaper to acquire than offices. However, to find a quasi office/industrial property, which is located in a suitable environment (e.g. not pure industrial location), will be difficult, as there is a limited supply.

Bidwells provided information showing dedicated office space available within 2 miles of Red House at a rent per square foot varying between £16.50 and £18.00. Industrial premises within 6 miles of the Red House are available with rents varying between £6.75 and £7.75 per square foot. The current rental for the Red House of approximately £12.60 per square foot is between the rent levels for the two previous classes of property and is a reflection of its dual use.

The Red House has an office/warehouse area of 5,946 sq feet. As the property is a converted house, not all of the area can be fully utilised. Relocation to a more modern building might allow a smaller area to be used more effectively.

At this early stage, a comparison of the renewal of the Red House lease with the purchase of commercial freehold property may be informative. The assumption has been made that property intended for mixed use will continue to be required by the IWC and will need to present an appropriate image for an Inter-governmental Organisation. From the sample properties supplied by Bidwells, a mixed-use property located in a village 7 miles from Cambridge city centre (valued at £440,000) provided a reasonable example, although the Secretariat is not sure how suitable such a property would be.

COMPARISON OF THE RENEWAL OF THE RED HOUSE LEASE WITH THE PURCHASE OF COMMERCIAL FREEHOLD PROPERTY

The sample property is located on a small business park to the south of Cambridge. The property is constructed with a steel portal frame with flat panel cladding. The property comprises 2 units out of a total of 18. The interior could be partitioned according to IWC requirements.

Our bankers have provided a sample calculation for a commercial mortgage of £400,000, repayable over 10 years

with a variable rate of interest. Any mortgage will represent a maximum of 80% of the value of the property being purchased. This means that the IWC has to find a deposit of 20% of the purchase price before any property is purchased, funded either from reserves, financial contributions or a combination of both.

An example is shown below comparing the outline funding requirements (cash flow) purchase of the sample property for £440,000 (deposit £88,000, mortgage £352,000), the purchase of the Red House for £800,000 (deposit £160,000, mortgage £640,000) and a new lease for the Red House.

A new lease for the Red House is assumed to have a 5-year rent review applied (as with the current lease in which no reduction is permitted). The rent review provides a 'step increase' which is fixed until the next review date. In order to give a projected cash-flow comparable with the life of the commercial mortgage, a second rent review increase has been included. The same percentage increase has been applied to both rent reviews, i.e. 16.45%.

It should be noted that the current lease has no 'break clause' which includes pre-agreed dates when either party can withdraw from the lease. Under the current lease, if the IWC wished to move to other premises, they would still be liable to pay the rent unless a sub-letting agreement could be arranged with a sub-tenant. If a new lease is negotiated, a 'break clause' should be included.

Period no.	Financial year	Purchase of sample property (£)	Purchase of Red House (£)	Rental of Red House (£)
1	2009-2010	138,424	251,680	87,384
2	2010-2011	50,424	91,680	87,384
3	2011-2012	50,424	91,680	87,384
4	2012-2013	50,424	91,680	87,384
5	2013-2014	50,424	91,680	87,384
6	2014-2015	50,424	91,680	101,760
7	2015-2016	50,424	91,680	101,760
8	2016-2017	50,424	91,680	101,760
9	2017-2018	50,424	91,680	101,760
10	2018-2019	50,424	91,680	101,760
Total cashflow		592,240	1,076,800	945,716

Purchase price (£)	440,000	800,000
Deposit (£)	88,000	160,000
Loan (£)	352,000	640,000

Note 1: For the purpose of this illustration the period of the lease is assumed to coincide with the financial year.

Note 2: An interest rate of 7.65% has been assumed for the life of the mortgage.

The outline funding requirement shown above follows the pattern described by the Secretary of NASCO and his observations are also worthy of note, i.e. purchasing property required more cash earlier compared to leasing and so the long-term benefits had to be emphasised to overcome short-term scepticism.

The above illustration allied to the favourable experience of NASCO suggest that the purchase of freehold property merits serious consideration. There are of course other variables that should be assessed, e.g.

- Cost of occupying office vs industrial property.
- Freehold or leasehold cost and control implications.
- Location of the premises – does the IWC need to be on a prestigious business park or in a quasi-industrial/office location?
- Staffing issues associated with relocation.

- Type of space required e.g. office/storage, open plan or cellular, air-cooled or not. Also a space planning exercise would be needed to decide how much space is required for operations.
- How to finance any deposit e.g. as a one off increase in Financial Contributions, to spread financing over the life of the mortgage or allocate a proportion of existing reserves (or a mix of these).
- Consider if owning a realisable asset after 10 years is preferable to the open-ended payment of rent.

SUB-COMMITTEE DISCUSSIONS

The Chair of the Sub-committee reported the following comments and questions from sub-committee members.

- Was the higher cash outflow in the first year required for a deposit?
- How realistic was the sample property with a purchase price of £440,000 in terms of lifespan, maintenance requirements, set-up costs etc?
- Concern was expressed about the true comparability and/or completeness of cash flows.
- Did the current rent paid for the Red House include cover for repairs and maintenance?
- Did the purchase price of £440,000 include the cost of equipping a new building?
- How realistic was the sample property with a purchase price of £440,000, was this at the lower end of the market and if so was this an appropriate choice, what would be a more realistic price for property?
- Purchasing was generally regarded favourably as long as the cash flows did not exceed those of renting the Red House. The ownership of an asset with a disposable value, which required a finite cash outflow, was regarded favourably when compared to leasing a property.
- Concern was expressed that acquiring property was a lengthy process and that the concept should be approved now to enable enough time for studies to be made and allow decisions to be made on the basis of comprehensive information.
- Is 'home-working' a possible solution (i.e. having no, or much smaller office accommodation)?
- The possibility of the Red House being gifted to the IWC should not be overlooked.
- A more comprehensive picture of the steps required in purchasing a property, the identification of all relevant costs, the timing of events and cash-flows, a sufficiently long projection of cash-flows to show where the break-even point is when comparing purchasing and rental, and the process to be followed if the IWC folds, were highlighted as issues requiring further work.
- The use of any surplus and the level of reserves required to fund any purchase were highlighted.

The Chair of the Sub-committee concluded that the BSC took a generally favourable view to purchasing property but that even with the responses given by the Secretariat to the above comments and questions, it needs more information to decide whether the options that may become available will provide a viable alternative to renting property.

5.3.2 F&A Committee discussions and recommendations

During discussions it was noted that:

- NASCO received substantial rental income from its property. The Chair of the Sub-committee reported that

this information had been known to the Sub-committee but did not affect their views.

- that more space might be needed by the Secretariat for administration of the RMS if at some point this was agreed and implemented. The Chair of the Sub-committee reported that as the Red House was an old property with limitations on how its space might be used effectively, a modern smaller property might accommodate any new work to be done by the Secretariat through better space utilisation.
- it is common for governments hosting the seat of intergovernmental organisations to provide rent-free accommodation to these organisations. It was noted that this option did not feature in the BSC's considerations and that it might be appropriate to enquire as to whether this might be a possibility for IWC.

After considering the above points, the Committee **recommends** to the Commission that the Secretariat be asked to provide a more comprehensive picture of the steps required in purchasing a property, the identification of all relevant costs, the timing of events and cash-flows, a sufficiently long projection of cash-flows to show where the break-even point is when comparing purchasing and rental, and the process to be followed if the IWC folds. This information will be used as the basis of further discussion next year. This recommendation for the provision of more comprehensive information recognises the approach of the end of the current lease (i.e. March 2009) leaving only three more Annual Meetings at which this issue can be discussed and a decision made.

5.4 Budgetary Sub-Committee operations

5.4.1 Report of the Budgetary Sub-committee

The Sub-committee Chair recalled that at IWC/56 the Commission endorsed the F&A Committee recommendation that the Budgetary Sub-committee be asked to develop clearer guidance on its operation in relation to:

- election of Chair and Vice-Chair;
- term of 'open-seats'; and
- clarification of arrangements for Contracting Governments not members of the BSC to attend as observers. The Budgetary Sub-committee was to report back to the F&A Committee at IWC/57.

The Sub-committee Chair then identified the issues and options in relation to items (i) to (iii) above.

ELECTION OF CHAIR AND VICE-CHAIR

It was agreed at IWC/56 that the BSC should, like other Commission sub-groups, elect its own Chair and Vice-Chair. Issues that the BSC considered in relation to this included:

- (1) The term of the Chair and Vice-Chair.

At IWC/56, the Commission agreed to extend the term of BSC members from 2 to 3 years and to appoint a Chair and Vice-Chair. It was assumed that (1) under normal circumstances, the Vice-Chair would replace the outgoing Chair, and (2) that the term of Chair and Vice-Chair would be 3 years for each – suggesting an overall commitment of 6 years for some BSC members. Six years may be rather a long commitment for a Sub-committee and the BSC may wish to consider whether a shorter term (i.e. 1 or 2 years) might be more practical and appropriate. (Note that if a

term of 2 or 3 years is chosen, this will mean that two members will serve on the BSC for longer than the usual 3-year period for all countries except Japan and the USA who have permanent seats). The BSC was also asked to consider whether a BSC member should have served on the BSC for at least a year prior to appointment as Chair/Vice-Chair.

(2) The timing of elections.

For other Commission sub-groups, the Chair is appointed at the beginning of a meeting, while for the Commission, elections, when necessary, are held at the end of a meeting. Given that the aim of the BSC is to conduct much of its work intersessionally by correspondence, it may be more practical for it to elect its officers at the end of a meeting, thus establishing the Chair and Vice-Chair for the following intersessional period. This would have the effect that individuals joining the BSC at the end of an Annual Meeting would not be eligible for election until the BSC meeting the following year⁵.

(3) Whether the individuals holding the posts of Chair and Vice-Chair should reflect the different capacity-to-pay groups (e.g. if the Chair is from a Group 1 or 2 country, should the Vice-Chair be from a Group 3 or 4 country?) or whether the Chair and Vice-Chair can be elected from any BSC member regardless of capacity-to-pay group.

The Sub-committee Chair reported that after brief discussion the sub-committee agreed and recommended to the F&A Committee that:

- The term for Chair and Vice-Chair should be three years and that under normal circumstances the Vice-Chair would replace the outgoing Chair.
- Elections should take place at the end of sub-committee meetings.
- Any member should be eligible to serve as Chair or Vice-Chair.

OPEN SEATS

At IWC/56 the Commission agreed to the addition of two 'open seats' (i.e. for any interested countries) as a fifth category in the BSC rota. Norway and Germany indicated their interest in taking these seats and this was agreed to by the Commission. However, there was no discussion of the term for the open seats, i.e. should the term be 3 years, as for members from other categories, or might there be merit in reducing the term, for example, to two years? A two-year term might offer a balance between achieving wider participation and sufficient continuity.

The BSC was also invited to give consideration to the following practical issues:

- How to call for expressions of interest in taking an open seat when one becomes available.
- How to deal with the situation if the number of countries expressing an interest in an open seat exceeds the number of open seats available.
- Whether the term of the open seats should be consecutive or off-set (as is the case for the two seats for Commissioners on the Advisory Committee to broadly represent the interests within IWC).

The Sub-committee Chair reported that after discussion the Sub-committee agreed and recommended to the F&A Committee that:

- A two year term for the 'open-seat' offers a good balance between continuity and wider participation.
- To call for expressions of interest in taking an open seat when one becomes available by notification by Circular in advance of an Annual Meeting. The open seat(s) would be allocated at the F&A Committee meeting.
- If the level of demand in any one year for 'open seats' exceeded the number of seats available, then preference be given to a country that has not served on the BSC before or served the longest time ago.

It was also noted that the appointment as Chair or Vice-Chair of a BSC member who was coming to the end of their term might block participation of other interested countries. The BSC agreed, and recommended to the F&A Committee that the Secretariat should prepare a paper for review next year regarding how this situation might be handled.

CONTRACTING GOVERNMENTS AS OBSERVERS TO THE BSC

The Chair of the Sub-committee recalled that in previous Annual Meetings several governments have attended the BSC meetings as observers on an informal basis. At IWC/56 this matter was raised and clarification sought as to the status of observers.

The Secretariat introduced the topic and invited the BSC to give consideration to:

- any restrictions on attendance;
- availability of space to accommodate interested parties;
- speaking rights; and
- availability of documents.

The Chair of the Sub-committee reported comments from members, which included the following.

- A clear distinction exists between members and observers. Members work collectively and receive documents intersessionally. Members can also serve as Chair and Vice-Chair. Observers can do none of these things.
- No restrictions on attendance were proposed and accommodation at IWC/57 was not an issue.
- The Chair should have the discretion to invite comments from observers. The Chair should generally know in advance which observers will be participating and can direct proceedings accordingly. The general feeling was to avoid complex rules and to allow flexibility.
- The availability of documents to observers intersessionally was raised as an option. This might be done on request but all documents will be available to observers at the Sub-committee meeting.

After discussion the sub-committee agreed and recommended to the F&A Committee that:

- non BSC members would not receive documents intersessionally or be eligible to be appointed as Chair or Vice Chair;
- there should be no restriction to contributing countries wishing to attend as observers;
- the Chair should have the discretion to invite comments from observers; and
- all documents should be available to observers at the BSC meeting.

⁵ Ideally, membership of the BSC should be confirmed before the end of the Annual Commission meeting.

5.4.2 F&A Committee discussions and recommendations

The Chair of the Sub-committee noted that the separation of the selection of Chair and Vice-Chair from the allocation of 'open seats' might prevent the blocking of participation of interested contributing countries. The Secretariat would look into this matter and report to the next annual meeting.

The F&A Committee therefore **recommends** to the Commission:

- That the recommendations regarding the election of Chair and Vice-Chair; the term of 'open-seats' and clarifying arrangements for Contracting Governments not members of the BSC to attend as observers as described in section 5.4.1 above be incorporated into the operations of the Sub-committee.
- The Secretariat should prepare a paper for review next year regarding how the appointment as Chair or Vice Chair of a BSC member who was coming to the end of their term might block participation of other interested countries in 'open seats' and how this might be handled.

6. NGO PARTICIPATION IN IWC

6.1 NGO Code of Conduct

At IWC/56 last year, the Commission agreed to establish a Working Group to prepare a draft Code of Conduct relating to the participation of NGOs at IWC meetings. Iceland was appointed as the convenor, with other members being Dominica, Japan, the Netherlands, New Zealand, St Kitts and Nevis, Sweden and the USA.

The Commissioner for Iceland recalled that the decision to establish the Working Group was taken at a private meeting of Commissioners during IWC/56. He reported that at an initial meeting in Sorrento, the Working Group agreed to work only through email and to not meet intersessionally, and to take account of work that had already been done within other international bodies. It also agreed to the following terms of reference: 'The Working Group shall work towards developing draft relevant rules relating to issues of participation of NGOs at IWC meetings'.

Iceland reported however, that in subsequent email exchanges after IWC/56, it became apparent that there was not a common understanding within the group of what the terms of reference actually meant. Some members felt that the group should be working towards a broad scheme for the IWC regarding NGO participation, which might include:

- (a) criteria for the granting of observer status;
- (b) decisions on what obligations an NGO would undertake by accepting observer status;
- (c) a Code of Conduct for NGOs at IWC meetings; and
- (d) procedures for suspending and/or withdrawing observer status.

Other members felt that the mandate was more limited and that the Working Group should concern itself only with developing a Code of Conduct. Some of those holding this view suggested that the other issues might possibly be considered once a Code of Conduct had been developed. Given this difference of opinions among group members, Iceland sought direction from the F&A Committee on how to proceed.

After a brief discussion, the F&A Committee **agreed** that in the first instance the Working Group should focus on developing a Code of Conduct. Once this had been

achieved, the F&A Committee could make a decision on whether the other items listed above should be addressed. The Working Group agreed to proceed on this basis.

6.2 NGO participation in Annual Meetings

Before IWC/56 last year, the Secretariat had been approached by a representative of one of the large environmental NGOs regarding changes that a number of them would like to rules of NGO accreditation in particular but also in their level of participation in Commission affairs. The Secretariat had brought this matter to the attention of the Advisory Committee to seek advice on the best way to proceed. The Advisory Committee agreed that this issue should be brought to the attention of the F&A Committee, and that the best way to do this was for it to develop a paper outlining the issues raised and the potential implications of these.

The paper prepared for IWC/56 focused on NGO participation in the Commission and its sub-groups excluding the Scientific Committee, and addressed the four following issues:

- (1) removal of the requirement that non-governmental organisations maintain offices in more than three countries;
- (2) allowing accredited NGOs to send up to [five?] representatives to IWC meetings as observers with the possibility of all observers being in the meeting room at any one time;
- (3) revising the fee structure for NGOs, such that the effect of the changes listed above is fee-neutral (cost-neutral?) in the year of its introduction and that thereafter, fees should not in general increase by more than such an amount as is necessary to keep pace with inflation in the UK (as host country to the IWC); and
- (4) formally confirming the right of NGO representatives to speak at IWC meetings, but with some limitation on the number of interventions that could be made.

Following recommendations from the F&A Committee, the Commission had agreed that the Secretariat should work with the Advisory Committee intersessionally to explore how items 1-3 above might be implemented and to report to the F&A Committee at IWC/57. The Commission agreed that the issue of speaking rights be set aside for the time being.

Austria found it unsatisfactory that only one person per NGO can officially attend the meetings, leading to an unnecessary multiplication of NGO groups and distorting the actual situation and therefore asked the Secretariat to explore a cost-neutral solution.

At the F&A Committee meeting in Ulsan, the Secretariat reported that due to other commitments during the year, no work had taken place on this matter. The F&A Committee therefore **agreed** to carry this work forward to the next intersessional period. Recognising the differences in scale of different NGOs, it was also agreed that the Working Group should, in addition to items 1-3, give consideration to the fee structure for NGOs.

7. OTHER MATTERS

There were no other matters.

8. ADOPTION OF THE REPORT

The report was adopted 'by post' on 18 June 2005.

Appendix 1

LIST OF PARTICIPANTS

Antigua & Barbuda

Antony Liverpool
Tricia Lovell

Argentina

Miguel Iniguez

Australia

Conall O'Connell
Gillian Slocum

Austria

Andrea Nouak

Brazil

Karina Groch
Regis Pinto de Lima
Jose Palazzo

Chile

Elsa Cabera

Denmark

Ole Heinrich
Amalie Jessen
Maj Friis Munk
Ole Samsing

Dominica

Andrew Magloire

Finland

Esko Jaakkole

France

Martine Bigan
Vincent Ridoux

Germany

Peter Bradthering
Marlies Reimann

Grenada

Frank Hester
Justin Rennie

Guinea, Republic of

Amadou Telivel Diallo

Iceland

Stefan Asmundsson
Asta Eingsdottir

Italy

Caterina Fortuna
Riccardo Rigillo

Japan

Minoru Morimoto
Joji Morishita
Yoshimi Suenaga
Haruo Tominaga

Kiribati

Maruia Kamatie

Korea, Republic of

Chiguk Ahn
Yeong Gong
Kwang Suk Oh
Hyun-Jin Park
Sung Kwon Soh

Luxemburg

Pierre Gallego

Mauritania

Sidi Mohamed Ould Sidina

Mexico

Lorenzo Rojas-Bracho

Netherlands

Henk Eggink
Benno Bruggink

New Zealand

Al Gillespie
Geoffrey Palmer

Norway

Halvard Johansen (Chair)
Anniken Krutnes
Hanne Østgard

Saint Kitts and Nevis

Ian Liburd
Josephs Simmonds

Saint Lucia

Vaughn Charles
Jeannine Rambally

Saint Vincent and The Grenadines

Raymond Ryan

Senegal

Thiam Moustapha

South Africa

Herman Oosthuizen

Solomon Islands

Paul Maenuú
Sylvester Diake

Spain

Carmen Asencio

Sweden

Bo Fernholm
Stellan Hamrin
Anna Roos

Switzerland

Bruno Mainini
Martin Krebs

Tuvalu

Simeti Lopati
Tupulaga Poulasi

UK

Richard Cowan
James Gray
Jennifer Lonsdale
Mark Simmonds
Chanaka Wickremasinghe

USA

Roger Eckert
Maggie Hayes
Cheri McCarty
Daniel J. Morast

Secretariat

Nicky Grandy (rapporteur)
Sean Moran (rapporteur)



Appendix 2

LIST OF DOCUMENTS

F&A Committee documents

IWC/57/F&A

1. Revised Draft Agenda
2. List of documents
3. Preliminary exploration of costs and implications for the provision of document translation for IWC Annual Meetings
4. Report of the Budgetary Sub-committee
5. Secretary's report on the collection of financial contributions
6. Discussion Document: Possible criteria to define 'very small' countries in the context of the Interim Measure for calculating financial contributions
7. Secretariat proposal to revise the definition of the phrase 'received by the Commission' in the context of Financial Regulations F 'Arrears of Contributions'

8. Summary and status of work to revise the financial contributions formula
9. A preliminary exploration of the possibilities and implications of less frequent meetings of the Commission and its subsidiary groups (prepared by the Secretariat)
10. Scientific Committee Invited Participants 2005

Commission Documents

IWC/57/Rep1 (Extracts from the) Report of the Scientific Committee

IWC/57/6 Financial Statements

IWC/56/13 Secretary's report on how other Conventions deal with legal issues

IWC/56/18 The resolution of legal issues within the IWC

Appendix 3

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 Annual Meeting Arrangements and Procedures
 - 3.1.1 Need for a Technical Committee
 - 3.1.2 Use of simultaneous interpretation
 - 3.1.3 Translation of documents
 - 3.1.4 Frequency of meetings
 - 3.1.5 Other
 - 3.2 Legal advice in relation to the IWC
 - 3.3 Amendments to the Rules of Procedure, Financial Regulations and Rules of Debate
4. Formula for calculating contributions
5. Financial statements, budgets and other matters addressed by the Budgetary Sub-committee
 - 5.1 Review of the provisional financial statement, 2004/2005
 - 5.1.1 Report of the Budgetary Sub-committee
 - 5.1.2 Secretary's report on the collection of financial contributions
 - 5.1.3 F&A Committee discussions and recommendations
 - 5.2 Consideration of estimated budgets, 2005/2006 and 2006/2007, including the budget for the Scientific Programme
 - 5.2.1 Report of the Budgetary Sub-committee
 - 5.2.2 F&A Committee discussions and recommendations
 - 5.3 Secretariat offices
 - 5.3.1 Report of the Budgetary Sub-committee
 - 5.3.2 F&A Committee discussions and recommendations
 - 5.4 Budgetary Sub-committee membership rota
 - 5.4.1 Report of the Budgetary Sub-committee
 - 5.4.2 F&A Committee discussions and recommendations
6. NGO participation in IWC
 - 6.1 NGO Code of Conduct
 - 6.1.1 Report of the Working Group
 - 6.1.2 F&A Committee discussions and recommendations
 - 6.2 NGO participation in Annual Meetings
 - 6.2.1 Report from the Secretariat on intersessional work
 - 6.2.2 F&A Committee discussions and recommendations
7. Other matters
8. 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

**SUMMARY OF THE STATUS OF MAIN AGREEMENTS⁶ REACHED BY THE TASK FORCE AND
REMAINING ISSUES AS OF IWC/55**

Issue	Main agreements reached by the Task Force	Remaining issues
ELEMENTS OF THE CONTRIBUTIONS FORMULA		
Annual membership	<ul style="list-style-type: none"> The Task Force reconfirmed its earlier agreement that one of the elements of the contributions formula should be an annual membership charge that: (1) would be the same for all Contracting Governments (i.e. a flat fee); and (2) should be set at a level to reflect a real commitment to the organisation by Contracting Governments without creating an obstacle to membership by developing countries. 	<ul style="list-style-type: none"> The % of the total contribution this element should represent.
Wealth/capacity to pay	<ul style="list-style-type: none"> The Task Force agreed that there are real advantages in terms of stability and fairness in using actual economic data for each Contracting Government rather than to divide Contracting Governments into groups based on a combination of GNI and GNI per capita, i.e. the banding approach proposed earlier and used in the Interim Measure. Inclusion of a specific separate factor to take external debt into account was not supported by the Task Force. The Task Force agreed not to recommend use of purchasing power parity (ppp) at present in recognition of problems with the quality of some existing ppp data and that new data will be available following a data-collection exercise of the World Bank during 2003. However, the Task Force also agreed that the Finance and Administration Committee might wish to review the use of 'ppp' at some point in the future. The Task Force reaffirmed that the intention is to use the most recent data available from the World Bank and recognised that updating could be critically important, especially for countries whose economies are under strain. The Task Force agreed that to ensure transparency, it will be essential that documents defining the contributions scheme and presenting the contributions required from Contracting Governments, state clearly the exact source and effective date of economic data used. 	<ul style="list-style-type: none"> Development of an appropriate index that will represent realistically the capacity to pay of Contracting Governments. Confirmation of how frequently the World Bank updates its data, whether there is a regular target date for publication of these data, and to what extent the target date is consistently achieved. The % of the total contribution this element should represent.
Use	<ul style="list-style-type: none"> The Task Force determined that the data available for both whalewatching and small cetaceans are not sufficient or consistent enough to include in a contributions formula, and, in light of the difficulties presented by the question of competence in relation to both issues, agreed that neither should be included in any proposal it might make to the Commission. Regarding bycatch, some Task Force members believed that bycatch should not be taken into account while others believed that by-caught animals entering the market should be included, although they recognised the problems with the availability of good data. The Task Force was unable to reconcile these opposing views, and for the purposes of the present work did not include bycatch. The Task Force agreed that ship-strikes should not be included as removals. At its March 2003 meeting, while some Task Force members re-stated their principled positions with respect to how to treat different types of whaling, in a spirit of compromise and as a way to move forward but without conceding on their positions, the Task Force expressed their willingness to treat all whaling equally (i.e. give equal weighting) in any further simulations. 	<ul style="list-style-type: none"> The % of the total contribution this element should represent

Cont.

⁶ The Task Force noted that in the context of developing a revised contributions formula, 'nothing is agreed until everything is agreed'.

Main agreements cont.

Issue	Main agreements reached by the Task Force	Remaining issues
ELEMENTS OF THE CONTRIBUTIONS FORMULA cont.		
Use cont.	<ul style="list-style-type: none"> • The Task Force confirmed that they preferred to use minke whale units rather than actual numbers of whales caught, but agreed that the Scientific Committee should review the conversion factors from time to time (e.g. every 5 years). • The Task Force, confirmed its previous agreement to use the catches from the previous year (converted to minke whale units). 	<ul style="list-style-type: none"> •
Meeting attendance	<ul style="list-style-type: none"> • The Task Force agreed that the use of real data based on the previous year's attendance by each Contracting Government is preferable to the use of bands. • The Task Force recalled the Commission's agreement at IWC/54 that attendance for the host country should be based on an average of the previous three years and that the Chair of the Commission be excluded for the purposes of calculating financial contributions. • The Task Force agreed that only delegates should be allowed entry into the Commission meeting rooms. Support Staff (who do not have access to the meeting rooms) may need distinguishing badges, e.g. to facilitate admission to the conference venue and/or delegation rooms. 	<ul style="list-style-type: none"> • The % of the total contribution this element should represent • Whether there should be any free delegates and if so, how many.
PERFORMANCE CRITERIA		
	<ul style="list-style-type: none"> • The Task Force identified a number of statistics that may prove useful in characterising the performance of different simulations and that could be used to assess them in terms of the general principles of stability and fairness, i.e.: <ul style="list-style-type: none"> • The average, median (i.e. middle), maximum and minimum contribution; • The standard deviation from the 'average' contribution; • The 5th and 95th percentiles of contributions; • The 5th percentile means that 95% of countries are paying more than this particular value • The 95th percentile means that 5% of countries are paying more than this particular value • The ratio of maximum to minimum contribution; • The percentage of the budget contribution allocated to the top 5, 10, 15, 20 paying countries. • The Task Force focused on two of these, i.e. the ratio of maximum to minimum contribution and the percentage of the budget allocated to the top 5 paying countries. 	<ul style="list-style-type: none"> • Which performance criteria to use and what the acceptable ranges of the criteria selected might be.
SELECTION OF A MODEL		
	<ul style="list-style-type: none"> • The Task Force noted that all recent simulations were run based on the structure of Model 7 and that it appeared that the group is converging on this as the model to put forward to the Commission. 	

Appendix 5**PROVISIONAL FINANCIAL STATEMENT 2004 -2005****Income and Expenditure Account**

	Approved Budget		Projected Out-turn (updated)	
	£	£	£	£
Income				
Contracting Government contributions		1,342,900		1,366,700
Recovery of arrears		0		0
Interest on overdue financial contributions		0		30,580
Voluntary contributions for research, small cetaceans work and publications		13,700		7,000
Sales of publications		10,300		5,400
Sales of sponsored publications		2,000		1,000
Observers' registration fees		62,200		49,500
UK taxes recoverable		30,200		25,109
Staff assessments		138,300		136,000
Interest receivable		30,800		58,400
Sundry income		0		400
		<u>1,630,400</u>		<u>1,680,089</u>
Expenditure				
Secretariat	974,900		954,398	
Publications	47,600		33,000	
Annual meetings	315,100		315,100	
Other meetings	5,500		13,700	
Research expenditure	265,000		299,476	
Small cetaceans	46,900		23,863	
Sundry	0		0	
	<u>1,655,000</u>		<u>1,639,537</u>	
Provisions				
Unpaid contributions	0		0	
Unpaid interest on overdue contributions	0		0	
Severance pay provision	16,600		0	
Provision for other doubtful debts	0		0	
		<u>1,671,600</u>		<u>1,639,537</u>
Surplus of income over expenditure		<u>-41,200</u>		<u>40,552</u>
Net transfers from or to (-):				
Sponsored publications fund		-800		400
Small cetaceans fund		20,500		-53,967
Research fund		32,600		-16,363
Surplus/deficit (-) for the year after transfers		<u>11,100</u>		<u>110,482</u>

Appendix 6**PROPOSED BUDGET 2005-2006**

See Annex L of the Chair's Report.

Appendix 7**SCIENTIFIC COMMITTEE FUNDING REQUIREMENTS FOR 2005-2006**

See Annex M of the Chair's Report.

