

Long-Term Finances

At its mid-term meeting in June 2002, the Bureau considered the Report of the Bureau Working Group on Long-Term Finances (attached as Annex 1).

The Bureau welcomed the report as an extremely useful document, and endorsed the general thrust of its findings. The Bureau agreed that several of the key items should be amplified for the Delegates' further consideration, and that is the purpose of this document.

Increasing the income

In order to justify extra income, the Member Countries must be shown the added value that ICES represents.

Added value

ICES was founded on the precept that countries acting together in a coordinated programme can achieve much more than any one of them could achieve individually; the whole is greater than the sum of its parts.

The ICES programme can be summarised thus:

- Science of physical, chemical and biological systems in the North Atlantic
- Advice on human impacts on marine ecosystems in the North Atlantic:
 - Fisheries effects in the Northeast Atlantic
 - Contaminants and how to monitor them
 - Eutrophication, Biodiversity, Ecological Quality Objectives
- Data and information exchange
 - Publications (world-class refereed Journal, as well as reports on science and scientific advice)
 - Data warehouse

ICES advice on fisheries management concerns the long-term sustainable exploitation of living marine resources, generally in the form of short-term considerations based on long-term objectives. Every year the Advisory Committee on Fisheries Management (ACFM) deals with about 150 commercially exploited fish stocks in the northeast Atlantic, including salmon at Greenland, Canada and the USA.

The ICES scientific network further exemplifies the added value:

- 1500-2000 professional researchers, in
- 200 Institutes in 19 Member Countries and 6 Observer Countries (Australia, Chile, Greece, New Zealand, Peru, South Africa);
- 100 Working Groups, 7 Science Committees, 3 Advisory Committees;
- All scientific fields related to living marine resources and mariculture are covered (this is somewhat limited in regard to tunas and whales, which are handled mainly by ICCAT and IWC, respectively);
- Environmental science (habitats, contaminants, eutrophication, genetics, etc.);
- Particularly strong in fisheries research.

The ICES network extends to the Southern Hemisphere, where much innovative work on coastal zone management, and the underlying science, has been done. The seven Science Committees of ICES (actually six Science Committees and one Area Committee) cover Fisheries Technology, Oceanography, Resource Management, Marine Habitat, Mariculture, Living Resources, and the Baltic.

ICES further provides:

- 100 years of experience in networking and cooperation;
- A full-time Secretariat (currently 38 staff) to service this network;
- A "home" in the Secretariat for large-scale projects (ICES/GLOBEC Cod and Climate Change; GEF Baltic Sea Regional Project);

All the above is provided with an annual budget of DKK 25 million (€ 3.3 million; USD 3.2 million).

This is a modest budget compared to those of other organisations, for example the annual budget of WWF International is DKK 2,656 million (€358 million; USD 351 million). That of Greenpeace International is DKK 1,068 million (€144 million; USD 141 million).

ICES is the only organisation providing ecosystem advice (fisheries and "environment" in the widest sense). It is the only organisation which also runs a core science programme. The added-value elements of ICES advice are that it is:

- Built on dual input – bottom-up (close links with science), and top-down (close links with the regulatory Commissions to meet their needs);
- Independent of politics and of management/enforcement responsibilities;
- Subject to scientific peer review (internally and externally).

ICES achievements include:

- Improved science – through cooperation;
- Improved transparency – through the Working Group structure;
- Improved cost-effectiveness – through coordinated monitoring of the living resources;
- Improved consistency – in assessment and advice, through the advisory structure;
- Added value – for ICES Member Countries and for Partner Commissions.

Ways to increase income

The Bureau requests that the Delegates consider the Bureau Working Group's proposals – whether by increasing the value of a share or by taking up extra shares, or by some other method. The latter recommendation is similar to the idea of “A” and “B” shares which was discussed in 1997 on the initiative of Norway. The record of that discussion (ICES Annual Report 1997, pages 55-56, is attached as Annex 2.

How to reduce costs

(i) Reduce or re-organise activities and work practices. In its general deliberations on the ICES budget and the overall financial situation, the Bureau considered it imperative that steps be taken to reduce the size of the Secretariat salary bill.

In implementation of this policy, and also taking note of the Bureau Working group's proposals, the General Secretary spent a considerable amount of time carefully examining the options, in consultation with senior management colleagues, before putting together a redundancy package for the Bureau's consideration. This exercise involved a thorough examination of the possibilities of achieving savings by increased work-sharing, changes in working procedures, outsourcing work, and closing down posts. The final package made use of all four of these options. The Bureau approved the proposals, and thus four posts have been closed down with effect from the end of January and end of February 2003. The Bureau also authorised, as the final element in the package, the creation of a new General Service post at a junior level (C.2) to deal with the remaining elements of three of the terminated posts. Because of the termination allowances payable under

the Staff Rules, the budgetary effect of these changes will not be felt until 2004, but it will mean a net saving of DKK 1.3 million, equivalent to 8% of the salary bill.

Natural turnover will be turned to the most favourable financial advantage during the coming years, in order to make further savings wherever possible

Other economies recommended by the Bureau Working Group are being implemented with renewed vigour – using e-mail and the Web to the greatest possible extent for exchanging information, for example.

The Bureau asks Delegates to give full consideration to the Bureau Working Group's statement that “to achieve significant cost reductions, the Council must focus on major elements in the ICES programme and evaluate which ones could be closed down:

- One or more of the main sections, i.e. fisheries, oceanography or environment?
- One or more of the principal scientific activities, such as data handling? Or the advisory process?
- Publications? In this case, we are probably talking of a major cutback rather than a total shutdown, because Article 1(c) of the Convention obliges ICES ‘to publish or otherwise disseminate the results of research and investigations carried out under its auspices or to encourage the publication thereof’.

If member countries consider that a policy of cost cutting would be preferable to increasing the income, then cuts on that scale will be necessary. Negative consequences on the role and status of ICES would have to be taken into account”.

(ii) Reduce annual meeting costs. In the light of the budgetary problems, Delegates are asked to review their rejection (at the 2001 Statutory Meeting) of the proposal that ICES business meetings (principally the Delegates meetings) could be held in ICES headquarters, at a different time from the Annual Science Conference. In a normal year when the ASDC and Statutory meeting take place in one of the other member countries, the cost to ICES is of the order of DKK 600,000 which is approximately equal to two shares. Secretariat staff members would still need to travel to the ASC, and some expenses would be incurred in holding the Delegates meeting at ICES, but annual savings of DKK 300,000 to 400,000 should be feasible.

(iii) Transfer some costs to Member Countries. The Bureau Working Group on Long-Term Finances recommends that member countries be asked to consider if they could take on some of the responsibilities currently implemented and paid for by ICES. For example, member countries might cover part

of the costs of members of the Advisory Committees coming to ICES, perhaps the travel (and ICES would continue to pay the *per diem* costs).

Additionally, the Bureau requests the Delegates to consider the possibility that the travel and *per diem* costs of the Bureau meetings should be at national expense. It costs ICES approximately DKK 200,000 to bring the Bureau members to ICES for 2-3 days twice a year.

Long-term budgeting

ICES must develop a multi-year finance plan. The Strategic Plan, the draft Integrated Action Plan and the draft Copenhagen Declaration all clearly imply commitments to increased funding to meet the increasing demands placed on ICES by the Member Countries, the Partner Commissions and other parties involved with ICES. The draft Action Plan identifies desirable new or intensified scientific activities, which will require extra expenditure. These costs must be quantified.

The development of a programmatic approach to budgeting and financial reporting would significantly facilitate the necessary financial commitments discussed above.

Development of programmatic financial reporting is already being addressed by the Secretariat, with new software which allows the various cost elements to be combined, compared and analysed in a much more flexible way than has been possible up to now. This new facility is still being refined, but an example of what is possible is attached as Table 1.

In the Secretariat Work Plan, staff time is allocated across a number of different Activities, a selection of which is given in Table 1. As the Work Plan is implemented during the course of the year, the accumulated number of hours spent on each Activity by the staff associated with it is indicated under "Total hours"; the other columns convert these hours into Danish kroner. The monetary value of the hours is split between Core science and Advice. Externally funded projects are identified separately. It is important to note that Table 1 is given for illustrative purposes only; the figures represent only the interim situation. Furthermore, it includes only the salary component; the costs of travel, support services (such as computers) and overheads such as telephones, mail, office lighting and heating will be added in the second phase, which is still being tested. The system can readily display the same data in other ways such as pie charts, and in percentages.

Table 1

| Ref. No. | Activity Title | Total hours | Core Science (DKK) | Advice (DKK) | Externally funded (DKK) | Total DKK | % |
|----------|---------------------------------------|-------------|--------------------|--------------|-------------------------|-----------|--------|
| AA1 | Production of ACFM Reports and Advice | 6,952 | 2,487 | 2,035,345 | 0 | 2,037,832 | 21.62 |
| AA2 | Production of ACME Reports and Advice | 1,509 | 248,429 | 131,962 | 0 | 380,391 | 4.04 |
| AA3 | Interaction with Commissions | 1,424 | 244,895 | 477,954 | 0 | 722,849 | 7.67 |
| AA4 | Production ACE Reports and Advice | 661 | 97,008 | 58,679 | 0 | 155,687 | 1.65 |
| AA5 | MCAP | 344 | 3,680 | 150,046 | 0 | 153,726 | 1.63 |
| CP1 | GEF Baltic Sea Regional Project | 42 | 24,862 | 0 | 26,268 | 51,130 | 0.54 |
| CP2 | ICES-GLOBEC Office | 1,476 | 0 | 0 | 327,330 | 327,330 | 3.47 |
| CP5 | Other externally funded projects | 1,958 | 0 | 0 | 482,303 | 482,303 | 5.12 |
| CP6 | Development of Database | 303 | 35,493 | 0 | 36,598 | 72,091 | 0.76 |
| CP7 | Receiving, screening and storing data | 253 | 17,692 | 0 | 39,355 | 57,047 | 0.61 |
| DP1 | Data and Information Products | 10,991 | 1,852,129 | 1,192,161 | 0 | 3,044,290 | 32.30 |
| DP2 | Information and Document Processing | 446 | 90,746 | 0 | 0 | 90,746 | 0.96 |
| NO3 | Non-activity time (sick leave, etc) | 40 | 8,264 | 0 | 0 | 8,264 | 0.09 |
| SS1 | Support for Science Committees | 2,793 | 978,005 | 0 | 0 | 978,005 | 10.38 |
| SS2 | Meetings and Symposia | 3,448 | 863,817 | 0 | 0 | 863,817 | 9.16 |
| | TOTAL | 32,640 | 4,467,507 | 4,046,147 | 911,854 | 9,425,508 | 100.00 |

ANNEX 1

REPORT OF THE BUREAU WORKING GROUP ON LONG-TERM FINANCES

Introduction

At the 2001 Statutory Meeting, the Council established this Bureau Working Group on Long-Term Finances in order to:

- estimate long-term financial needs;
- consider a more transparent and programme-oriented budgeting process extending to a time horizon of 5 years;
- consider various options for a healthy long term budgeting for the ambitions laid down in our Strategic Plan; and
- include options which may not now be feasible.

Members of the Bureau Working Group were Pentti Mälkki (President), Mike Sissenwine (First Vice-President), Roald Vaage (Norway), Robert Aps (Estonia), Maarten Knoester (Netherlands), Graça Pestana (Portugal), and Boris Kotenev (Russia). The group worked by correspondence, including an extended conference call on 4 June 2002. Robert Aps and Graça Pestana expressed apologies for being unavailable on that date.

The background for this decision was the commonly felt need to consider various solutions for the increasing gap between the common expectations of ICES activities and the limitations set by lack of suitable resources.

The established ICES Strategy enables and expands the possibilities for ICES to act with a focused but much wider programme than has been the case during the past years. At the same time, the international community has changed in many ways. The following examples illustrate challenges that we have to face:

- The international marine science community has grown remarkably; many non-governmental organisations act in fields traditionally dominated by ICES.
- At the same time, intergovernmental activities have increased as well, in particular in the fields of science-based regulatory actions. ICES is no more the dominant player.

- Environmental issues have taken an increasingly demanding role.
- Many fish stocks are in decline, thus demanding increasing quality of advice.
- Demand for advice often comprises both the fisheries and the environment. Increasing expectations for advice (more of it, more complex issues, more quality assurance) and a broadening of scientific activity (e.g., ecosystem orientation, climate change issues) exacerbate the problem.
- On a national level, increasing demands on the economy and deliverables have increased the work pressure of people active in ICES.

Still, a few decades ago, the role of ICES was more central and more visible. The biodiversity of marine science has increased. As a consequence, the attraction of ICES Working Groups, Committees, Symposia and ASCs is rivalled and challenged by that of other organisations, particularly for the universities.

2. The Problem

Income has stagnated because (in most years) member countries do not accept annual increases greater than the official rate of inflation in Denmark. At the same time the Commissions are not willing to pay more, partly because they feel that the goal of 100% cost recovery by ICES should have been achieved by now, and partly because they believe that they have already paid through national contributions.

The widening scope of activities in response to increased demands and expectations calls for increased resources (travel costs, staff costs, overheads). This is a major reason why budgetary increases generally exceed the rate of inflation. Another contributory factor is the annual step-increases (professional development) within the existing salary grades of the Secretariat.

3. Necessary action

ICES must increase its income. Reducing the current costs will obviously release some funds, but on its own this will not generate sufficient financial resources. In

parallel with the goals of the Strategic Plan and the aims of the Copenhagen Declaration, the Delegates must convince the member countries to raise the level of funding to ICES. Achieving a significant increase in the annual income (of the order of 10% to 20%) must thus be the major and priority element in a two-part strategy to safeguard the future of ICES: (i) Raise income. (ii) Reduce costs.

In order to justify the need for extra income, Member Countries must be shown the added value that ICES represents. The budget must be made totally transparent, by presenting it in programme form with sufficient details, in order to be able to analyse the cost/benefit of different activities. In addition to the budget and forecast budget, a multi-year financial plan should be drawn up to cover each group of activities. A full analysis should be made to demonstrate what causes the expenses in our work; is it due to excessive need of technical facilities, for example, or does it result from a lack of streamlined procedures?

4. How to increase income

(i) Increase the value of a share

The cost of one share in 2002 is DKK 338,500. This figure has only a transitory function – it is the result of the calculation

Fixed costs (excluding recoverable advisory costs)

Total number of shares (52½)

The share value is then multiplied by the number of shares each country has pledged to pay for; the result is the national contribution for that year.

Increasing the value of a share is thus equivalent to making a straightforward increase in the national contributions. At present, national contributions account for 73.5% of the total income.

| Year | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 |
|-----------------------------------|------|------|------|------|------|-----------------|-----------------|
| | | | | | | 3% [^] | 7% [^] |
| Nat. contributions as % of income | 74 | 74 | 74 | 73 | 74 | 72 | 72 |

The 52½ shares are allocated between the member countries as shown in Table 1. Some budgetary statistics are also shown in Figure 1.

(ii) Countries take up extra shares

Member countries which might have problems in agreeing to an increase in the share value may find it easier to take up extra shares.

Share allocations have been adjusted in the past, to accommodate the economic consequences of such events as the reunification of Germany or the creation of the Russian Federation.

The Bureau Working Group on Long-Term Finances **recommends** that ICES member countries be urged, in the light of their commitment in the Copenhagen Declaration, to take up extra “Centenary shares”.

This recommendation is similar to the idea of “A” shares and “B” shares which was discussed in 1997 on the initiative of Norway. It would be in complete accord with the basic principles of the share system, as recalled in the 1993 Annual Report (albeit in the context of a different discussion):

“a) Each Contracting Party will have one share in light of the general services provided by the Council to all its members.

b) Each Contracting Party will have ½, 1, 2, or 3 additional shares, taking into account the magnitude of the Party’s involvement in Council activities as well as population, gross national product, fisheries, and marine science activities in the ICES area.”

(iii) Increase the business income

For example, ICES should seek to make profitable all publications, symposia and the ASC. Additional income could also be sought in research contracts and the provision of scientific advice.

5. How to reduce costs

(i) Reduce or re-organise activities

The Secretariat salary costs might be reduced by a reorganisation of work practices, and by taking advantage of natural turnover whenever possible. Some current procedures might also be revised in a way that would reduce some costs, such as travel. Other activities carried out in the Secretariat might be examined to see if they could be more economically obtained using external services.

Other economies which might be implemented are:

- Use e-mail to a greater extent, when exchanging information.
- Although the Secretariat already makes extensive use of the Web for exchanging documents and circulating draft reports, the possibility of increasing this usage should be actively investigated.
- Reduce the number of Working Groups.

But although such exercises should be carried out to the extent possible, they will achieve only relatively minor savings compared with what is required.

To achieve significant cost reductions, the Council must focus on major elements in the ICES programme and evaluate which ones could be closed down:

- One or more of the main sections, i.e. fisheries, oceanography or environment?
- One or more of the principal scientific activities, such as data handling? Or the advisory process?
- Publications? In this case, we are probably talking of a major cutback rather than a total shutdown, because Article 1(c) of the Convention obliges ICES “to publish or otherwise disseminate the results of research and investigations carried out under its auspices or to encourage the publication thereof”.

If member countries consider that a policy of cost cutting would be preferable to increasing the income, then cuts on that scale will be necessary. Negative consequences on the role and status of ICES would have to be taken into account.

Nevertheless, the current ICES programme should be analysed to establish whether some of the long-standing activities might have been generated by requirements that no longer have the priority they once had. Such activities of secondary importance could be reduced or terminated in order to give space for items with higher priority.

(ii) Reduce annual meeting costs

This costs annually some DKK 600,000 which is approximately equivalent to two shares. If the business meetings (principally the Delegates meetings) could be held in ICES headquarters, costs would be significantly reduced.

A proposal to separate the Statutory Meeting and the ASC was thoroughly debated in 2001 and was rejected, but the Council may need to revisit the question in the light of the continuing budgetary problems. The majority feeling in 2001 was that such a separation

would have considerable adverse effects on communication and cooperation between the Delegates and the scientists. It was also pointed out that it might result in administrative decisions being reached without full knowledge of the matter under discussion.

(iii) Transfer activities to member countries

Institutes in the member countries already make many in-kind contributions in the form of arrangements of meetings, symposia, work done by their scientists and funding of their travel and *per diem* costs when participating in meetings of ICES Working Groups and Study Groups.

The Bureau Working Group on Long-Term Finances **recommends** that member countries be asked to consider if they could take on some of the responsibilities currently implemented and paid for by ICES. For example, member countries might cover part of the costs of members of the Advisory Committees coming to ICES, perhaps the travel (and ICES would continue to pay the *per diem* costs). Consideration would have to be given to the risk that such a step might jeopardize the diplomatic understanding designed to establish the independence of the members of the Advisory Committees. ICES pays the travel and *per diem* costs in order to preserve the perceived independence of the Committee members. This is done in implementation of the diplomatic understanding that the Committee members are acting on behalf of ICES, and not as representatives of their country.

6. Recommendations

- (i) Develop programmatic budgeting and reporting, and a multi-year finance plan.
- (ii) Increase national contributions.
- (iii) Create additional “Centenary” or “B” shares.
- (iv) Transfer some responsibilities to member countries.
- (v) Reduce costs by cutting out major elements of the ICES programme.
- (vi) Re-organise current work practices.

TABLE 2

| Country | No. of Shares |
|----------------|----------------------|
| Belgium | 2 |
| Canada | 3 |
| Denmark | 3 |
| Estonia | 1 |
| Finland | 1½ |
| France | 4 |
| Germany | 4 |
| Iceland | 3 |
| Ireland | 2 |
| Latvia | 1 |
| Netherlands | 3 |
| Norway | 4 |
| Poland | 3 |
| Portugal | 2 |
| Russia | 3 |
| Spain | 3 |
| Sweden | 3 |
| United Kingdom | 4 |
| USA | 3 |
| TOTAL | 52½ |