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INTERGOVERNMENTAL COMMITTEE ON THE
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DRAFT FINANCIAL RULES FOR THE SECRETARIAT
OF THE CONVENTION ON BIOLOGICAL DIVERSITY

Note by the Interim Secretariat

1. INTRODUCTION

1. Article 23, paragraph 3, of the Convention on Biological Diversity requires the Conference of the Parties by consensus to agree upon and adopt financial rules governing the funding of the Secretariat. The same Article states that at each ordinary meeting, the Conference shall adopt a budget for the financial period until the next ordinary meeting. Further, at the first session of the Committee, the Interim Secretariat was requested in Working Group II to prepare draft financial rules on the subject for the consideration by the Committee at its second session (see UNEP/CBD/IC/2/2, annex III, para. 34).

2. The considerations on financial rules advanced here are without prejudice to the decision by the Conference of the Parties: (a) to designate the Secretariat from among those existing competent intergovernmental organizations which have signified their willingness to carry out the secretariat functions under this Convention (Article 24, paragraph 2, of the Convention); and (b) on its rules of procedure. The financial rules adopted will need to be compatible with the practices followed in the organization to be designated and the rules of procedure of the Conference of the Parties.

3. The basis of contributions agreed by the Conference of the Parties and the timing and procedures of payment to the funds approved by the Conference of the Parties, as well as the regulations governing their management and use, constitute the financial rules governing the funding of the Secretariat.

4. As background material for the Committee's discussion, the present note reviews current practices in selected conventions and considers the advantages and disadvantages of voluntary contributions and a prorated scale of assessment. Details are given of the adopted United Nations scale of assessments for the contribution of Member States to the regular budget of the United Nations for the years 1992, 1993 and 1994. In annex I to this paper, draft financial rules of a Trust Fund are presented for the Committee's consideration. Annex II presents alternative scales of assessments for contributions.

5. In this paper, the Committee is invited to examine various parameters (i.e., scale of contributions, nature of fund to be set up, etc.) which will impact on the financial rules. After guidance on these parameters is obtained from the Committee, more precise financial rules for the Secretariat can be prepared for the consideration of the Conference of the Parties.

6. Should the Committee recommend a transitional period (see the note by the Interim Secretariat on criteria for the selection of a competent international organization to carry out the functions of the Secretariat of the Convention (UNEP/CBD/IC/2/6), para. 13), guidance from the Committee will be needed on how the budget for the Secretariat for that period should be prepared.

2. CURRENT PRACTICE

7. Table 1 indicates how funds are contributed under selected conventions. Current practice reveals two broad ways of cost-sharing: prorated assessments and voluntary contributions. These prorated contributions are based on formulas that adjust and apply the United Nations scale of assessments used to apportion contributions to the regular budget of the United Nations.

8. The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) and the Vienna Convention for the Protection of the Ozone Layer (Vienna Convention) do not require contributions from parties with a United Nations assessment rate of less than 0.1 per cent, since it is considered that the cost of collecting such small sums would be greater than the sum collected.

9. In the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), each contracting party contributes to the annual budget according to a formula derived from the United Nations scale of assessments. No single contributor is required to pay more than 25 per cent of the total budget.

10. The Convention for the Protection of the World Cultural and Natural Heritage (World Heritage Convention) has established the World Heritage Fund, a trust fund in conformity with provisions of financial regulations of the United Nations Educational, Scientific and Cultural Organization (UNESCO). According to the rules of this trust fund, all States parties have to contribute to the fund: either 1 per cent of their share of UNESCO's regular budget as a compulsory contribution, or a voluntary contribution that should at least equal that 1 per cent. UNESCO's regular budget is determined by member States of UNESCO and is prorated using the United Nations scale of assessments.

11. The core cost of the Secretariat of the Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention) is supported by the Council of Europe. States parties and the EEC make voluntary contributions.

12. The practice of prorating contributions based on United Nations scale of assessments is widely applied. Several global conventions, developed and administered under the auspices of the United Nations and United Nations Environment Programme (UNEP) in particular, have adapted this scale in particular cases. The scale is determined by the United Nations Committee on Contributions, composed of representatives of the Member States, and takes into account population size, gross domestic product and other economic factors. It is therefore an objective indicator, insofar as this is possible, of ability to pay.

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Table 1. How funds are contributed under selected conventions

CITES	Contributions prorated on United Nations scale of assessments; no exemptions. Voluntary contributions to support project activities and travel of delegates.
Basel	Two trust funds: (a) the trust fund to support the Secretariat is pledged and prorated on United Nations scale of assessments with exemptions to Parties with a United Nations assessment rate of less than 0.1 per cent; (b) the Technical Cooperation Trust Fund to assist developing countries is made up of voluntary contributions.
Vienna	Contributions prorated on the basis of the United Nations scale of assessments; exemptions to parties with less than 0.1 per cent on United Nations scale.
World Heritage Convention	All States parties contribute to World Heritage Fund equal to 1 per cent of their share of UNESCO's regular budget. Voluntary contributions to support projects from UNESCO's regular budget.
Ramsar	Contributions prorated on the basis of the United Nations scale of assessments; no exemptions. Voluntary contributions to the Wetland Conservation Fund.
Bern	Voluntary contributions to meet some Secretariat and Convention meetings costs. Regular contributions from Council of Europe.
CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora Basel: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal Vienna Convention: Vienna Convention for the Protection of the Ozone Layer World Heritage Convention: Convention for the Protection of the World Cultural and Natural Heritage Ramsar: Convention on Wetlands of International Importance Especially as Waterfowl Habitat Bern: Convention on the Conservation of European Wildlife and Natural Habitats	

13. Where a United Nations trust fund is established, this is done in accordance with the Financial Regulations and Rules of the United Nations and in accordance with the general procedures governing the operations of the United Nations body which may host that particular Convention.

14. Overview. As a general rule, the conference of the parties to a convention approves the budget of the secretariat by agreeing to a contributions formula showing the share of the budget that each party would have to deposit in the designated fund. In general, there are two broad ways of meeting the Secretariat costs:

(a) When contributions to a trust fund are calculated on the basis of the formula for assessed contributions to the regular budget of the United Nations, the trust fund covers all direct costs of the secretariat of the convention as well as specified activities. Further,

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provisions are made in several trust funds to cover indirect costs for services such as personnel, accounting and audit, etc., incurred by the organization providing secretariat functions. The trust funds under the Basel, CITES and Vienna conventions provide for administrative support charge of 13 per cent for services rendered by UNEP;

(b) The financial rules of the organizations administering the relevant convention secretariats allow the receipt of financial contributions other than those provided by parties to a convention. Once received, these counterpart contributions are applied to the implementation of the activities for which they are specified. The counterpart funds normally do not attract an administrative service charge.

3. ISSUES AND OPTIONS

15. An important issue is to consider whether the secretariat costs should be met through prorated assessments or voluntary contributions. Prorated assessments provide a high degree of financial certainty and distribute the financial burden on a pre-determined, transparent basis. Assessed contributions routed through trust funds, therefore, have been a common mode adopted to finance the cost of convention secretariats. Voluntary contributions are non-obligatory and, therefore, payments could be irregular. Voluntary payments offer flexibility to the contributing Parties but do not guarantee a regular flow to a secretariat. Without certainty of income flows, a secretariat cannot enter into long-term commitments and its execution of the programme of work could be disadvantaged.

16. If assessed contributions basis is adopted, the Committee may wish to consider which formula to apply:

(a) The United Nations scale;

(b) A modified United Nations scale. The modified scale could set an upper limit of contribution from a single Party and exempt countries with an assessment rate below a certain cut-off point.

17. It should be noted that the European Economic Community is not assessed by the United Nations and is therefore not assigned a specific percentage for a contribution to the costs of implementing a Convention to which it is a Party. A formula for its contribution would need to be agreed by the Parties.

18. In case an assessed method is followed, the Parties should determine how their contributions should be calculated. At the present time, only a limited number of States Members of the United Nations are Parties to the Convention. They represent only 40.47 per cent of the assessed contributions to the regular budget of the United Nations (see annex II, column 2). It would, therefore, be necessary to raise each Party's assessment percentage by a factor of 100 divided by 40.47, to obtain percentage contributions equal to 100 per cent. This basis of contributions can be regarded as formula I and is set out in column 3 of the table contained in annex II.

19. The Committee may consider whether there should be a ceiling to an individual country's prorated contribution. It could also be considered appropriate, as is the case with other conventions, e.g., CITES and the Basel Convention, to place a ceiling on the proportion of the total budget to be paid by any one Party. That ceiling might be 25 per cent, but could be fixed at any level that is agreed by the Parties. The

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other Parties' shares of the total cost would be adjusted to reflect that ceiling by taking out from the total budget the share of those Parties whose contributions reach the agreed ceiling and apportioning the remaining cost among the others. This basis of contributions can be regarded as formula II and is set out in column 4 of the table in annex II.

20. The Committee may consider whether exemption from payment is to be provided to any country. To simplify collection of payments, some conventions, e.g., the Basel Convention, exempt Parties having United Nations assessment rates equal or less than 0.1 per cent. The scale of contributions prepared on the basis of a proportional ceiling of 25 per cent and with United Nations assessment rates of less than 0.1 per cent removed, can be regarded as formula III, and is set out in column 5 in annex II.

21. In case an assessed method is followed, the Committee may consider whether the scale of contributions be adopted for one/two or more years. In the initial years, it may be necessary to adjust the scale of contributions annually to take into account any changes in the number of Parties to the Convention.

22. The Committee may wish to consider how the scale of contributions would be adopted. The Conference of the Parties could decide that each contracting Party shall contribute to the budget according to a scale of contributions adopted by unanimity.

23. In such situations, the Committee may wish to make provision for the adoption of a budget where agreement by consensus has failed. As an option, the financial rules could provide for the adoption of the budget by voting. It may be noted in this connection that the financial rules of Ramsar Convention and Basel Convention provide for adoption of budget by a two-thirds majority vote of the Parties present and voting.

24. Another issue is whether States and regional economic integration organization not party to the Convention should make prorated voluntary contributions equal to what they would have paid if they had been Parties, or whether the matter should be left to their discretion. Likewise a formula for contribution of non-Members of the United Nations will need to be considered.

25. In accordance with article II of Financial Regulations and Rules of the United Nations (ST/SGB/Financial Rules/1/Rev.3 (1985)), the financial period shall consist of two years. However, the Conference of the Parties may wish to have budget estimates prepared for a period of more than two years in order to make financial projections.

26. Within the terms of reference of a trust fund, provision can be made for contributions to be received on a voluntary basis from States and regional economic integration organizations not party to the Convention and those that are Parties who wish to pay over and above their individual share, as well as from other governmental, intergovernmental and non-governmental organizations and other institutions. Such discretionary contributions cannot, however, be taken into account in drawing up the scale of contributions, since they cannot be agreed upon or known in advance.

27. New Parties could be expected to contribute on the same basis as that agreed by the Conference for existing Parties, except that their contribution could be adjusted on a pro rata basis to reflect the date on which they ratified the Convention.

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28. According to article XIII of the United Nations Financial Regulations (ST/SGB/Financial Rules/1/Rev.3 (1985)), expenditure commitments could normally be incurred to the extent that contributions are actually paid into the fund created to meet the needs of the Convention Secretariat. That is why the terms of reference of the proposed trust fund (annex I) include a provision that contributions are paid before the beginning of the year to which they relate.

Annex 1

DRAFT FINANCIAL RULES FOR THE ADMINISTRATION OF A GENERAL TRUST FUND FOR
THE CONVENTION ON BIOLOGICAL DIVERSITY¹

1. A Trust Fund for the Convention on Biological Diversity shall be established to provide financial support to the Secretariat.
2. Pursuant to the Financial Regulations and Rules of the United Nations, the chief executive of the organization designated under Article 24, paragraph 2, with the approval of the governing authority, shall establish the Trust Fund for the administration of the Convention.
3. The Trust Fund shall be established for an initial period of two years, beginning 1 January 1995 and ending 31 December 1996. The appropriations of the Trust Fund for this period shall be financed from:
 - (a) Contributions made by Parties to the Convention (reference possible scales indicated in annex II)² plus any voluntary contributions;
 - (b) Voluntary contributions from States not Parties to the Convention, other governmental, intergovernmental and non-governmental organizations, and other sources.
4. The contributions referred to in paragraph 3 (a) above are to be based on the United Nations scale of assessments for the apportionment of the expenses of the United Nations adjusted to provide that no one contribution shall exceed 25 per cent of the total and no contributions shall be required when the United Nations scale provides for a contribution of less than 0.1 per cent.
5. The budget estimates, covering income and expenditure for each of the two calendar years 1995 and 1996, shall be as approved by the Conference of the Parties to the Convention at its first meeting or as revised at any ordinary or extraordinary meeting of the Parties. Accounting records may, however, be kept in such currency or currencies as the chief executive of the organization designated under Article 24, paragraph 2, of the Convention may deem necessary.
6. The Parties shall make every effort to reach agreement on the budget by consensus. If all efforts to reach consensus have been exhausted and no agreement has been reached, the budget shall, as a last resort, be adopted by a two-thirds majority vote of the Parties present and voting.

¹ The effect of these rules will need in due course to be considered in light of the financial regulations of the particular organization selected in accordance with Article 24, paragraph 2, of the Convention.

² The scale of contributions shown in annex II below will have to be updated as more States and regional economic integration organizations become Parties to the Convention before the first meeting of the Conference of the Parties.

7. Any subsidiary body established by the Conference of the Parties may, on the advice of the chief executive of the organization designated under Article 24, paragraph 2, of the Convention, approve expenditure in any one or more objects of expenditure over and above the level approved by the Conference of the Parties for those objects of expenditure, provided that there shall be no overall increase in the budget approved by the Conference of the Parties.

8. Commitments against the resources of the Trust Fund may be made only if they are covered by the necessary income. No commitments shall be made in advance of the receipt of contributions.

9. In the event that the chief executive of the organization designated under Article 24, paragraph 2, of the Convention anticipates that there might be a shortfall in resources over the financial period as a whole, s/he shall have discretion to adjust the budget so that expenditures are at all times fully covered by contributions received.

10. At the end of a calendar year of a financial period, the chief executive of the organization designated under Article 24, paragraph 2, of the Convention may transfer any uncommitted balance of appropriations to the following year.

11. All contributions are due to be paid in the year immediately preceding the year to which the contributions relate.

12. All contributions, shall be paid³⁰ in a convertible currency and into a bank account, both to be specified by the chief executive of the organization designated under Article 24, paragraph 2 of the Convention.

13. Contributions from States that become Parties after the beginning of the financial period shall be made pro rata temporis for the balance of the financial period and consequent adjustments made at the end of each calendar year in the assessed contributions of each Party.

14. Contributions not immediately required for the purposes of the Trust Fund shall be invested and any interest so earned shall be credited to the Trust Fund.

15. The chief executive of the organization designated under Article 24, paragraph 2, of the Convention shall deduct from the income of the Trust Fund an administrative support charge equal to 13 per cent of other expenditures recorded during any accounting period in order to meet the cost of the administrative activities financed from the Trust Fund and provide services relating to personnel, accounting, audit, etc.

16. The financial period of the Trust Fund will be a biennium consisting of two consecutive calendar years. At the end of the first calendar year of a financial period, the chief executive of the organization designated under Article 24, paragraph 2, of the Convention shall submit to the Parties the certified accounts for the year. S/he shall submit the accounts for the financial period audited by the Board of Auditors of the United Nations as soon as practicable.

³ To be consistent in budget presentation, contributions pledged and expenses proposed should be shown in the same currency chosen.

17. The General Procedures governing the operations of the Fund of the organization designated under Article 24, paragraph 2, of the Convention and the Financial Regulations and Rules of the United Nations shall govern the financial operations of the Convention.

18. In the event that the Parties wish the Trust Fund to be extended beyond the period specified in paragraph 3 above, the chief executive of the organization designated under Article 24, paragraph 2, of the Convention shall be so requested by the Parties at least six months earlier. Such extension of the Trust Fund shall be subject to the approval of the governing authority of the organization designated under Article 24, paragraph 2.

Annex II

ALTERNATIVE SCALES OF ASSESSMENTS FOR CONTRIBUTIONS
(List includes only Parties to the Convention as of 15 April 1994)

	United Nations scale of assessments 1992-1994 <u>a/</u> (per cent)	Formula I Proportional scale of assessments (per cent)	Formula II Proportional scale of assessments with a 25% ceiling (per cent)	Formula III Proportional scale of assessments with 25% ceiling and with United Nations assessment rates of less than 0.1% reduced to zero (per cent)
1	2	3	4	5
UN MEMBER STATES				
Albania	0.01	0.02	0.03	
Antigua & Barbuda	0.01	0.02	0.03	
Armenia	0.13	0.32	0.34	0.35
Australia	1.51	3.73	3.95	4.09
Bahamas	0.02	0.05	0.05	
Barbados	0.01	0.02	0.03	
Belarus	0.48	1.19	1.26	1.30
Belize	0.01	0.02	0.03	
Brazil	1.59	3.93	4.16	4.31
Burkina Faso	0.01	0.02	0.03	
Canada	3.11	7.68	8.15	8.43
China	0.77	1.90	2.02	2.09
Cuba	0.09	0.22	0.24	
Czech Republic <u>b/</u>	0.42	1.04	1.10	1.14
Denmark	0.65	1.61	1.70	1.76
Dominica	0.01	0.02	0.03	
Ecuador	0.03	0.07	0.08	
Ethiopia	0.01	0.02	0.03	
Fiji	0.01	0.02	0.03	
Germany	8.93	22.07	25.00	25.00
Guinea	0.01	0.02	0.03	
Hungary	0.18	0.44	0.47	0.49
India	0.36	0.89	0.94	0.98
Italy	4.29	10.60	11.24	11.63
Japan	12.45	30.76	25.00	25.00
Jordan	0.01	0.02	0.03	
	United Nations scale of assessments 1992-1994 <u>a/</u> (per cent)	Formula I Proportional scale of assessments (per cent)	Formula II Proportional scale of assessments with a 25% ceiling (per cent)	Formula III Proportional scale of assessments with 25% ceiling and with United Nations assessment rates of less than 0.1% reduced to zero (per cent)
1	2	3	4	5
Malawi	0.01	0.02	0.03	

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Maldives	0.01	0.02	0.03	
Marshall Islands	0.01	0.02	0.03	
Mauritius	0.01	0.02	0.03	
Mexico	0.88	2.17	2.30	2.38
Monaco <u>b/</u>	0.01	0.02	0.03	
Mongolia	0.01	0.02	0.03	
Nepal	0.01	0.02	0.03	
New Zealand	0.24	0.59	0.63	0.65
Norway	0.55	1.36	1.44	1.49
Papua New Guinea	0.01	0.02	0.03	
Paraguay	0.02	0.05	0.05	
Peru	0.06	0.15	0.16	
Philippines	0.07	0.17	0.18	
Portugal	0.20	0.49	0.52	0.54
Saint Kitts and Nevis	0.01	0.02	0.03	

Annex II

ALTERNATIVE SCALES OF ASSESSMENTS FOR CONTRIBUTIONS
(List includes only Parties to the Convention as of 15 April 1994)

	United Nations Scale of assessments 1992-1994 <u>a/</u> (per cent)	Formula I Proportional scale of assessments (per cent)	Formula II Proportional scale of assessments with a 25% ceiling (per cent)	Formula III Proportional scale of assessments with 25% ceiling and with United Nations assessment rates of less than 0.1% reduced to zero (per cent)
1	2	3	4	5
Saint Lucia	0.01	0.02	0.03	
Samoa	0.01	0.02	0.03	
Seychelles	0.01	0.02	0.03	
Spain	1.98	4.89	5.19	5.37
Sri Lanka	0.01	0.02	0.03	
Sweden	1.11	2.74	2.91	3.01
Tunisia	0.03	0.07	0.08	
Uganda	0.01	0.02	0.03	
Uruguay	0.04	0.10	0.10	
Vanuatu	0.01	0.02	0.03	
Zambia	0.01	0.02	0.03	
NON MEMBER STATES				
Cook Islands <u>b/</u>	0.01	0.02	0.03	
Nauru <u>b/</u>	0.01	0.02	0.03	
NOT LISTED				
EEC <u>c/</u>				
	40.47	100.00	100.00	100.00

a/ Source: Report of the Committee on Contributions, Official Records of the General Assembly, Forty-seventh Session, Supplement No. 11 (A/47/11), except as noted below.

b/ According to a communication dated 28 December 1993 received from the Secretary of the United Nations Committee on Contributions, "the General Assembly has just adopted rates of assessment for the Czech Republic and Monaco of 0.42 and 0.01 per cent respectively. Cook Islands and Nauru are not members of the United Nations. On the basis of the size of their national income and population, their respective theoretical rate of assessment is 0.01 per cent".

c/ Not assessed by the United Nations.
