



## Agenda item 6

### Report of the Subgroup on Finance

Composition of the Subgroup: Finland (Chair), China, Jamaica, Marshall Islands, Mexico, and Nigeria.

1. The Subgroup on Finance on 16 May at 1400 h.
2. Apologies for absence were noted from Nigeria.
3. The Secretariat's Finance Officer outlined some changes to the sequence and grouping of the Subgroup's agenda items, as reflected in the sequence of items in this report below.

#### **Financial Matters** (Items 8 and 9 of the SC42 agenda)

- a) **Review of 2010 core and projects income and expenditure, including audited financial statements (DOC. SC 42-04)**
- b) **Current status of the Reserve Fund (Resolution X.2, para. 21) (DOC. SC42-05)**
- d) **Brief update on Secretariat staff salary awards (Decision SC41-13)**
4. Regarding the 2010 core budget, a deficit of CHF 61,000 is reported, largely a consequence of significant exchange losses during the year, following US\$ and Euro devaluation in relation to strengthening of the Swiss Franc. Most of the losses were on Euro holdings (whilst most current income is received in Swiss Francs or US\$). Some of the exchange losses are unrealized, but as it is considered unlikely that the exchange rate situation will change in the near future, steps are planned to reduce future holdings in Euro so as to minimize the further risk of losses.
5. Other expenditures in 2010 were largely as budgeted. Since the budget was set in 2008, some changes have occurred including the smaller amount of income received from Swiss

income tax recovery, which is wholly dependent on the mix of nationalities on Secretariat staff in each year and their personal tax situations.

6. Concerning non-core income and expenditure, there is a continuing decline in voluntary contributions and the Secretariat continues to be significantly dependent on the voluntary income from one private sector donor, the Danone Group and is keen to expand the voluntary donor base.
7. Other points of note included the higher cost of holding the Standing Committee 41<sup>st</sup> meeting in Georgia and that all these additional costs were met by the host country; that travel costs are increasing and that is being managed as tightly as possible; that there is no remaining provision for future legal costs, which is an exposure of concern; and that IUCN charges for 2010 were within the agreed 13% cap.
8. Concerning implementation of staff salary awards, the agreed policy for 2009-2012 as presented to SC41 has been effectively implemented in 2009 and 2010 and is proving an effective way of rewarding staff and managing costs.
9. The 2010 audited financial statements were finalized and signed off with no further changes in April 2011.
10. The Reserve Fund at the start of 2010 was CHF 413,000, and following SC41-agreed transfer of CHF 50,000 for STRP priority tasks, the reserve fund at the end of 2010 was CHF 302,000.

The SubGroup **recommends** that the Standing Committee notes:

- a) the CHF 61,000 Core budget deficit for 2010 and the CHF 50,000 transfer from reserves to STRP priority projects, as directed at SC41, such that the Reserve Fund at 31.12.10 stood at CHF 302,000;
- b) the continued fall in voluntary contributions and the current over-dependence on one private sector donor; and
- c) that the 2010 Financial Statements presented in draft in the annex to DOC. SC 42-04 were finalized and signed off by the auditors in April 2011.

**c) Contracting Parties that are consistently in arrears with payments to the Convention (Resolution X.2, para. 17) (DOC. SC42-06)**

11. The situation with Parties consistently in arrears continues, and there is a persistent suite of Parties who have never paid since their accession. There has been a further annual increase in bad debt exposure and increasing arrears, and it may be timely to re-consider what actions might be now appropriate, such as excluding participation in the Small Grants

Fund, not receiving Ramsar Advisory Missions, and/or not providing delegate support to meetings. Some other conventions have taken such actions, but others have chosen to not do so.

12. Such actions were not supported by the Subgroup. It was suggested that Standing Committee member Parties agree to redouble their efforts in this 40<sup>th</sup> anniversary year to engage and encourage non-paying Parties in their regions and subregions to make their unpaid dues through regional peer-pressure. There may be other approaches, such as a system that if advance payments are made there is a discount applied to that contribution. Other suggestions include continuing working to enhance understanding within all relevant ministries in non-paying countries so that they are fully aware of the benefits gained from Convention membership; and the option of those receiving SGF funds to receive only a proportion of the full sum requested as a form of debt-offset. It may be appropriate to look particularly at those Parties which have made no payment since their accession, and to seek to further clarify why they have not ever paid.
13. It was recognized that non-payment of arrears is a symptom of a worrying lack of engagement in a wider range of aspects of Ramsar implementation by designated Administrative Authorities and the Subgroup invites the Standing Committee to further consider this matter and options for resolving it.

The SubGroup **recommends** that the Standing Committee does not agree to specific measures for Parties in arrears, but rather that the Standing Committee focuses on strongly encouraging actions including:

- a) thanking all Parties which have made their payments on time;
- b) in the light of the current economic climate, urging all Parties experiencing payment difficulty or delay to advise the Secretariat at the earliest opportunity;
- c) urging all Parties in arrears to correct this situation, and in recognition of 2011 being Ramsar's 40<sup>th</sup> anniversary urging all such Parties to make all possible efforts to reduce their outstanding arrears to 50% of its current level by the end of 2011 and to 30% of its current level by 2012;
- d) urging all Standing Committee members and the Secretariat continue to work together with such Parties, including through stressing to all relevant ministries in such countries the importance and benefits gained from fully meeting their commitments to the Convention following their accession;
- e) recognizing that non-payment of arrears is one symptom of a worrying lack of engagement in a wider range of aspects of Ramsar implementation by designated Administrative Authorities and that the Standing Committee to further consider this matter and options for resolving it; and
- f) requesting the Secretariat to advise the Subgroup on Finance at their next meeting of any positive policies on these matters adopted by other Conventions.

j) **Regional Initiatives 2009-2012 in the framework of the Ramsar Convention (DOC. SC42-08)**

i) **Progress reports from initiatives which have received core budget funding**

ii) **Levels of financial support to individual initiatives in 2010 (Resolution X.6)**

14. There is about CHF 24,000 more requested from regional initiatives than is available from the available budget lines for 2011 (core: CHF 279,000; voluntary (Africa) CHF 14,000), and the proposed allocations in DOC. SC42-08 (paragraph 13) are based on the assessed needs from the submissions made by regional initiatives.
15. It was clarified that there will be a further opportunity for regional initiatives to request funds for 2012, and there are two realistic options for this process. One is that SC44 in mid-June 2012 makes the allocations for that year, since it is unlikely that initiatives would be able to send their 2011 progress reports and funding requests before February 2012; the other being that the 2012 SC decision on allocations would be made by electronic circulation in April 2012.

The SubGroup **recommends** that the Standing Committee:

- a) approve the 2011 allocations to regional initiatives as set out in DOC. SC42-08 (paragraph 13); and

b) for 2012 allocations, the annual cycle will continue as presently, with 2011 reports and requests for 2012 allocations to be submitted to the Secretariat by each regional initiative not later than 29 February 2012, so that allocations may be made by the Standing Committee by electronic circulation no later than April 2012;

e) **Ramsar Core Budget 2011 (Resolution X.2)**

f) **Ramsar non-Core requirements and activities 2011 and beyond, including update on renewal of the Danone/Evian partnership (DOC. SC42-07)**

g) **Towards a new budget Framework for COP11: including options for presentation of budget 2013-2015 (Decision SC41-16)**

16. Minor reallocations between core budget lines in the 2011 budget are recommended, reflecting some changing circumstances such as Swiss income tax income being reduced by CHF 50,000, and reducing salary allocations to reflect a 4% increase to actual 2010 salary expenditure (as opposed to 4% over the 2010 budget), and to add CHF 10,000 to the

regional initiatives budget to be used either for legal costs or for pre-COP regional preparatory meetings. It is the experience of 2010 that there is a need for some funds for legal advice in relation to issues arising with certain regional initiatives. Charges from IUCN for 2011 have been agreed, which are within the 13% maximum agreed.

17. For 2011 non-core activities there are some significant needs for additional funds, such as for regional COP11 preparatory meetings, which in total amount to about 100% more than was raised in 2010, with CHF 1.5 million being needed. There are also significant 2012 non-core needs, including c CHF 1 million for sponsored delegate participation in COP11, with a 2012 total of CHF 1.8 million being sought. The Secretariat already has some pledges for the funds needed for 2011, but there is still a long way to go for the 2012 funding needs.
18. It was outlined that in terms of the priorities for the future work of the Partnership Coordinator the first stage had been to review past and present funding and processes and initiatives. This now provides the basis for future additional fundraising prioritisation, including establishing a mechanism for receiving funds within the USA, and focusing on identifying innovative alternative sources and mechanisms for funding outside the usual sources of funds sought by UN bodies. Identifying a small number of flagship initiatives to take to donors provides a further opportunity, as does bringing together a high-level advisory group to help make new connections.
19. Concerning the 2013-2015 budget presentation to COP11, including recognizing non-core funded activities, and one presentational option is provided in DOC SC42-07 Annex 3. This speaks to what is needed to deliver against all aspects of the 2009-2015 Strategic Plan, which should in turn assist in future visibility and support fund-raising for non-core funded implementation work. It was requested that suggestions for prioritization of different budget elements be made in the 2013-2015 budget proposals for SC43 consideration.

The SubGroup **recommends** that the Standing Committee:

- a) approves the 2011 budget with minor reallocations between core budget lines in the 2011 budget, as set out in DOC. SC42-07, and to use any unallocated or unused 2011 regional initiatives allocations for pre-COP Regional meetings or necessary 2011 legal costs (relating to regional initiatives if necessary);
- b) thanks all Parties and others who have made additional voluntary contributions, but expresses concern at the overall continuing decline in such voluntary contributions;
- c) urges all SC members, all Parties and the Secretariat to redouble their efforts in finding voluntary funding for important upcoming activities such as the 2011 Pre-COP11 Regional Meetings and 2012 COP11 sponsored delegates, and also for the STRP, the Small Grants Fund, and Ramsar Advisory Missions;

- d) requests the Secretariat to explore future options for reducing increasing voluntary contribution requirements for sponsored delegate meeting participation, including a review of the basis for sponsorship based on the OECD DAC list, in consultation with other Convention's Secretariats, and provide options for SC43 consideration;
- e) requests the Secretariat to prepare for SC43 consideration three budget scenarios for 2013-2015, which include core and non-core funded elements for implementation of the Strategic Plan 2009-2015, based on the format provided in DOC. SC42-07 Annex 3, and including detailed recommendations on the elements to include in the different budget scenarios, and priorities for different budget elements; and
- f) requests the Secretariat to provide some initial suggestions for 2013-2015 budget scenarios for feedback from the Subgroup of Finance in advance of the formal issuing of a budget proposals document for SC43.

**h) Progress report on engagement with the Global Environment Facility (Decision SC41-17)**

- 20. Decision SC41-17 requested the Secretariat to explore ways and means for the GEF to become a financial instrument for the Ramsar Convention. The Secretariat has recognized the need for further legal advice on aspects of this matter, but has also recognized that merely establishing a Memorandum of Cooperation with the GEF would be insufficient for this purpose.
- 21. The Secretary General reported to the Subgroup that Secretariat has good contacts with the GEF Secretariat and a number of GEF project proposals concerning wetlands and Ramsar implementation are under development and discussion with GEF Secretariat staff including a High Andes regional initiative international waters project; engagement in proposals for a West Africa 'green wall' project; a global follow-up project on waterbird flyways to the GEF-funded "Wings over Wetlands" African-Eurasian flyways project and its tools; and a project on the reversal of land degradation in the Lake Chad Basin. Further legal advice on the best way forward to establish enhanced working relations, including any decisions necessary from the COP and the GEF Council, is needed.

**i) Report on the Ramsar Small Grants Fund (Decision SC41-18) (DOC. SC42-23)**

- 22. There are 3 grants programmes currently administered by the Secretariat: SGF, Swiss Fund for Africa and Wetlands for the Future, the latter two being donor and region specific. All are under increasing funding stress. SGF funding has never reached the levels hoped for to make it fully viable, and in 2010 sufficient funds were available for only 3 projects out of 81 applications. It is apparent that different countries have different priorities for national support, and there is less appetite for small grants programmes.

23. Several possible options for the future of these programmes were considered, including merging the different programmes, prioritization within programmes, identifying synergies with other organizations equivalent project programmes, and focusing on seeking funds from other bodies and organizations other than Contracting Parties.
24. It was commented that the SGF has been repeatedly recognized as an important mechanism under the Convention for on-the-ground implementation support, but despite the effort all round and over many years the funding available has remained negligible, and that it is no longer viable in terms of cost/benefit including not only Secretariat staff time, but also the time of those preparing largely unsuccessful proposals within countries which is demotivating for all to continue such a largely unfunded programme.
25. It was suggested that no project proposals are solicited for the 2012 cycle, and instead continue to promote the approved 2010 and 2011 projects for funding. It was noted that more feedback to donor countries on the outcomes of funded projects might help countries maintain their support to the SGF, and that projects requesting fit-for-purpose funding rather than just going for the maximum available funds of CHF 40,000 might lead to more projects being funded. It was also suggested that given the limited available funds these might be focused on support to countries for their Ramsar accession.
26. To further publicise the benefits of the SGF programme it was suggested that the Secretariat might prepare a review report for COP11 summarising the achievements of the SGF programme to date. It was also noted that there was a call in the 40<sup>th</sup> anniversary “Teheran Declaration” for the establishment of a trust fund for supporting Parties in their implementation.
27. It was recognized that Wetlands for the Future continues to be very important for countries in the Americas region, for Strategic Plan implementation and that continuing support for the programme had been helped by the Secretariat’s preparation of publications showcasing the achievements of projects and the overall programme, although current donor budget constraints present concern over the future prospects for this programme.

**[Rapporteur’s Note: the language in the recommendations below is provisional and is subject to further consideration by the Subgroup.]**

The SubGroup **recommends** that the Standing Committee:

- a) recognises that the SGF in its current form has become increasingly unviable in cost/benefit terms to both those preparing project proposals and to the Secretariat in terms of handling proposals, and recommends to COP11 that unless an alternative mechanism for funding can be rapidly identified, it is suspended;

- b) encourages Parties to demonstrate their desire to keep the SGF operational through making substantial 40<sup>th</sup> anniversary voluntary contributions to the Fund, and encourages the Secretariat to evaluate and report on the realism of extending non-Contracting Party funding for the SGF;
- c) instructs the Secretariat to halt the SGF project round for 2012, and instead focus on seeking further funds for approved 2010 and 2011 portfolio projects; and
- d) recognises the importance to Parties of on-the-ground implementation support, and requests the Secretariat to explore alternative on-the-ground support mechanisms for Parties, including providing enhanced advice and information to Parties and others on other opportunities for small grants and other funding for wetlands from other organisations.

### Any other business

- 28. It was noted that the Management Working Group had requested that the financial aspects of the request from Panama and Paraguay concerning simultaneous interpretation for subgroup meetings be considered by the Subgroup on Finance. The Subgroup on Finance noted that the additional costs for one-and-a-half days of interpretation would be an estimated CHF 15,000 if the meeting was held in Gland. There would be further implications for whether this would also be expected for such meetings during COP11, and that in the next triennium it can be anticipated that an additional Subgroup on the future Strategic Plan post-2015 will be established. As there is no core budget in this triennium for such additional costs, any proposals to introduce such additional interpretation would need to be funded by voluntary contributions or included in 2013-2015 core budget options for SC43 and COP11 consideration.
- 29. It was also noted that there would be an associated issue for the operations of the CEPA Oversight Panel, which functions only in English, and that there may be other consequential implications which will need to be evaluated.
- 30. It was further suggested that one step forwards to help with the language issue would be that during the morning prior to the Standing Committee first plenary a 2-hour set of regional meetings be held, to discuss the Subgroups' recommendations in the languages of the region, with the Chairs of the Sub-groups available for clarification and advice.

The SubGroup **recommends** that the Standing Committee

- a) recognises that interpretation in Standing Committee subgroups is not required to be provided under the Rules of Procedure, and that such a practice runs contrary to other, including UN, intergovernmental processes; and



- b) notes the additional costs of subgroup simultaneous interpretation are not included in the current core budget, and requests the Secretariat and Subgroup on Finance to further explore options for such funding for 2012 and in the 2013-2015 budget, including providing to SC43 a full costing estimate covering all the implications.