

## Report of the Meeting of the Subgroup on Finance Part I

This Report includes the recommendations for the Standing Committee consideration made during the first meeting of the Subgroup on Finance on 24 June 2019. Pending items are scheduled to be considered by the Subgroup and a report Part II will be issued.

The Subgroup on Finance discussed and recommended the following:

### 1.a Report on financial matters for 2018 (DOC SC57-7.1)

- i. The Subgroup on Finance recommended that the Standing Committee accept the 2018 audited financial statements as of 31 December 2018.
- ii. The Subgroup on Finance recommended that the Standing Committee note the core budget results for 2018 and carry-forward of 2018 surplus.
  - The Secretariat explained that the presentation of the core budget line categories changed from the previous triennium to the current triennium and will remain the same for the current triennium (Annex 2 and Annex 4).
- iii. The Subgroup on Finance recognize the surplus (as per Table 1, Item III below).

*Table 1: 2018 core surplus to be allocated (in '000 CHF)*

<b>Fund balance at 31 December 2018 per audited statement (I)</b>	<b>2,196</b>
<b>Approved and pre-committed</b>	
Reserve fund at 15% (Resolution XIII.2, para 33)	762
Pre-committed balances of CHF 437K	437
Complement to voluntary funding for COP13 delegate support (Resolution XIII.2, para 13)	94
Approved use of 2016-2018 triennium surplus for the 2019-2021 triennium (Resolution XIII.2, paragraph 15) to supplement the 2019-2021 budget	228
Approved use of 2016-2018 triennium surplus for the 2019-2021 triennium to support the work of the Effectiveness Working Group (Resolution XIII.2, para 16)	70
Correction for the Ramsar Regional Initiative (RRI) for the Amazon River Basin	28
<b>Total approved and pre-committed (II)<sup>1</sup></b>	<b>1,619</b>
<b>2018 core surplus after approved and pre-committed (III = I – II)</b>	<b>577</b>

<sup>1</sup> Note the typo correction of the total approved and pre-committed per Table 2 DOC SC57-7.1. This does not change 2018 core surplus after approved and pre-committed of CHF 577K

## 1.b Non-core funding status and voluntary contributions for 2018 (DOC SC57-7.1)

- iv. The Subgroup on Finance recommended that the Standing Committee note the status of non-core funding and voluntary contributions for 2018.
  - The Subgroup on Finance acknowledges all Contracting Parties who have provided voluntary funding and encourages the Secretariat to continue fundraising efforts.
  - The Subgroup noted that DOC SC57-7.1 paragraph 37 should read “Pre-2016 **Swiss** Grants for Africa (SGA)” in place of “Pre-2016 **Small** Grants for Africa (SGA)”. This correction will be taken into account in all future documents.
- v. The Subgroup on Finance recommended that the Standing Committee note and approve the Secretariat’s adjustments to the COP13-approved core budget for 2019, which make no changes but show for transparency and clarity the approved use of surplus from the previous triennium (Annex 1 to the report).
- vi. The Subgroup on Finance recommended that the Standing Committee note the non-core balances.
  - The Subgroup appreciates the generosity of donors to non-core activities and the efforts taken by the Secretariat to clean up and adjust non-core balances to ensure accurate accountability.
- vii. The Subgroup on Finance recommended that the Standing Committee note the progress in implementing the recommendations from the IUCN *Financial Management Review of Non-core (Restricted) Fund Accounts* and recommends the Standing Committee approve the following actions:
  1. to adopt the use of the standard terms “core” and “non-core” to describe Ramsar funds; and
  2. to agree to engage with the auditor in its annual meetings, looking at the most cost effective way, including virtual participation, or by sharing the auditor’s report at least three months in advance of the meeting (or earlier), in accordance with the Rules of Procedure on meeting documents
  3. to request the Secretariat to collect and share questions from members of the Subgroup by email in advance and collect answers from the auditor in time for the meeting.
    - Contracting Parties emphasised that the engagement of the external auditor at annual meetings was a fiduciary duty and should be reflected in the contract for their services.
- viii. External auditor’s related items:
  1. The Subgroup on Finance recommended that the Standing Committee approve the external auditor’s proposed modification for the calculation of the provision for outstanding Contracting Party contributions (DOC SC57-7.1, paragraph 42, option a.) and accordingly to increase the provision for 2019.
    - In order for Ramsar to continue to be audited in accordance with Swiss law, the annual calculation for the provision against dues receivable from Contracting Parties must be expanded. To more accurately reflect the requirement of the Swiss Law, the change will be to increase the provision to 100% for balances outstanding for less than five years, for Contracting Parties who have not made a contribution payment in the past four years. At 31 December 2018 this would represent an increase of CHF 178K.
    - The proposed source of funding for CHF 178K is CHF 57K of 2018 carry forward and CHF 121K use of 2018 core surplus to be discussed and recommended during the meeting on 27 June 2019.

- Alternatives were discussed and Subgroup on Finance supported increasing the provision in order to avoid a qualified audit opinion in non-compliance with Swiss law, as this would risk the reputation of the Convention, thereby making donor contributions and fundraising from the private sector significantly more difficult.
  - In addition to the options presented in DOC SC57-7.1, paragraph 42, the alternative of using International Public Sector Accounting Standards (IPSAS) was discussed, as other Conventions use this standard. This would need further analysis before any future decisions could be taken. The external auditor indicated that their interpretation of provision for outstanding contributions would be a more realistic and accurate reflection of credit risks in compliance with Swiss law. This interpretation of Swiss Law would also apply under any accounting standard, including IPSAS. It was recognized by members of the Subgroup that any transitions to a new accounting standard may be costly and very time consuming, requiring a separate decision from the Conference of the Parties, in consultation with the Subgroup on Finance and IUCN.
2. Regarding confirmation letters; the standard individual confirmation letters sent by external auditors are not suitable to be sent to Contracting Parties. The Subgroup on Finance invites the Secretariat to explore the practicality of a group approach for confirmation of outstanding Contracting Party balances along with other forms of establishing an audit-confirmation proof. To be further discussed during the meeting on 27 June 2019. The external auditors expressed willingness to consider the above mentioned group approach.

### **1.c Other matters discussed (DOC SC57-7.1)**

1. The Subgroup on Finance recommended that the Standing Committee instruct the Secretariat to include a note regarding the existence or lack thereof of other potential large provision items, such as future pension obligations that are not required to be disclosed under Swiss Law and disclose any such accounting policies and information related to such potential liabilities in future financial statements. The Chief Finance Officer of IUCN confirmed that the pension plan is a defined contribution plan, implying that there are no unreported liabilities.
2. Considering the fact that Ramsar necessarily uses the same auditors as IUCN, the Subgroup on Finance encouraged the Secretariat to provide input to IUCN and invites Parties to work with their counterparts responsible for IUCN to provide feedback on any IUCN consideration of options for future auditing contracts.
  - Note regarding Document 7.2. *Report of the auditor on the financial statements 2018* is included in DOC SC57-7.1.
  - The Subgroup on Finance recommended the Standing Committee take note of the request from Panama and Switzerland to join the SubGroup for the current triennium.

### **2. Report on status of annual contributions (DOC SC57-7.3)**

- i. The Subgroup on Finance recommended that the Standing Committee take note of the status of annual contributions.
- ii. The Subgroup on Finance recommended that the Standing Committee note the actions taken to encourage payment of outstanding contributions and instruct the Secretariat to continue encouraging timely payments of annual contributions.

1. The Subgroup instruct the Secretariat to explore different solutions in order to improve payments of outstanding Contracting Parties contributions. In addition, the Subgroup requested Contracting Parties to share their best practice experiences in resolving outstanding contributions in Ramsar and other Conventions and organisations.
  2. The Subgroup on Finance recommended the regions to consider the status of outstanding balances when making regional nominations, while taking into account national circumstances.
    - The Subgroup on Finance discussed the possibility of “sanctions” for Contracting Parties with outstanding contributions, and while not explicitly recommending this action, it discussed reflecting divergent opinions on this matter, including considering measures taken by other international bodies/Multilateral Environmental Agreements -in order to foster prompt payment of outstanding contributions. There was broad agreement, however, that other measures that highlight the benefit and opportunities of being a member of the Ramsar family should be reinforced.
- iii. The Subgroup on Finance recommended that the Standing Committee note the change in annual contributions receivable and in the annual provision against contributions receivable.
- iv. The Subgroup on Finance recommended that the Standing Committee note the current status of a balance of CHF 91K of the voluntary contributions from Contracting Parties in the Africa region.
- In accordance with Resolution XIII.2, paragraph 24, the Secretariat will inform Ramsar Regional Initiatives in Africa of this balance after SC57. In the same Resolution, Regional Initiatives in Africa are invited to submit requests to the Secretariat to access available funds in accordance with the provisions of Resolution XIII.9 on Ramsar Regional Initiatives 2019-2021 and accordingly those Regional Initiatives are invited to submit requests to access the available funds by 31 December 2019. Regional Representatives at the 58th meeting of the Standing Committee (SC58) will be invited to decide on the requests submitted and inform the Secretariat accordingly (Resolution XIII.2, paragraph 25).
  - The Subgroup on Finance recommended to change the order of columns in Annex 2 DOC SC57-7.3 Voluntary Contributions from Contracting Parties in the Africa region, to move the last column to become the second column.

Annex 1 (SC57-7.1 Annex 4)  
Proposed Core Budget 2019

Ramsar Budget 2019 CHF 000'S	Budget 2019 (COP13- approved)	Authorized use of 2016- 2018 surplus in 2019-2021	Committed from 2018 budget (carry over to 2019)	Pre- committed from 2017 (carry over to 2019)	Proposed budget 2019 after reallocation
	(A)	(B)	(C)	(D)	(E)=(A)+(B)+(C) +(D)
<b>INCOME</b>					
Parties' Contributions	3,779				3,779
Voluntary contributions	1,065				1,065
Income Tax	225				225
Income Interest	12				12
<b>TOTAL INCOME</b>	<b>5,081</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,081</b>
<b>EXPENDITURES</b>					
<b>A. Secretariat Senior Management</b>	<b>1,009</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,024</b>
Salaries and social costs	918				918
Other employment benefits	51				51
Travel	40	15			55
<b>B. Resource Mobilization and Outreach</b>	<b>638</b>	<b>135</b>	<b>0</b>	<b>0</b>	<b>773</b>
Salaries and social costs	450				450
Other employment benefits	5				5
CEPA Program	30				30
Comms, Translations, Publications and Reporting Implementation	60	120			180
Web/IT support and Development	84				84
Travel	10	15			25
<b>C. Regional Advice and Support</b>	<b>1,325</b>	<b>30</b>	<b>66</b>	<b>0</b>	<b>1,421</b>
Salaries and social costs	1,178				1,178
Other employment benefits	72				72
Travel	75	30			105
Ramsar Advisory Missions	0		66		66
<b>D. Support to Regional Initiatives</b>	<b>100</b>	<b>0</b>	<b>36</b>	<b>28</b>	<b>164</b>
Regional networks and centers	100		36	28	164
<b>E. Science and Policy</b>	<b>754</b>	<b>15</b>	<b>114</b>	<b>0</b>	<b>883</b>
Salaries and social costs	559				559
Other employment benefits	4				4
STRP implementation	35	15			50
Travel STRP Chair	5				5
STRP meetings	50				50

Ramsar Budget 2019 CHF 000'S	Budget 2019 (COP13- approved)	Authorized use of 2016- 2018 surplus in 2019-2021	Committed from 2018 budget (carry over to 2019)	Pre- committed from 2017 (carry over to 2019)	Proposed budget 2019 after reallocation
	(A)	(B)	(C)	(D)	(E)=(A)+(B)+(C) +(D)
Ramsar Sites Information Service (maintenance and development)	91				91
Travel	10				10
Strategic Plan (2019 - 2021)	0		44		44
SDG 6.61	0		70		70
<b>G. Administration</b>	<b>436</b>	<b>33</b>	<b>133</b>	<b>0</b>	<b>602</b>
Salaries and social costs	315				315
Other employment benefits	1				1
Staff hiring and departure costs	25		52		77
Secretariat Staff Travel	0				0
Operating Costs including equipment	95				95
Planning and Capacity building	0	33	81		114
<b>H. Standing Committee Services</b>	<b>150</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>220</b>
Standing Committee delegates' support	45				45
Standing Committee meetings	10				10
SC translation	60				60
Simultaneous interpretation at SC meetings	35				35
Effectiveness Working Group	0	70			70
<b>I. IUCN Administrative Service Charges</b>	<b>560</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>560</b>
Administration, Human Resources, Finance & IT services	560				560
<b>J. Miscellaneous - Reserve Fund</b>	<b>109</b>	<b>0</b>	<b>88</b>	<b>0</b>	<b>197</b>
Provisions	50		57		107
Legal Services	59		31		90
<b>TOTAL EXPENDITURES</b>	<b>5,081</b>	<b>298</b>	<b>437</b>	<b>28</b>	<b>5,844</b>

Notes:

Column B – Resolution XIII.2 use of CHF 228K plus up to CHF 70K for 2019-2021 triennium

Column C – Committed from 2018 budget (see Table 1 and Paragraph 11)

Column D - Pre-committed from 2017