

Agenda item 6.2

Financial and Budgetary Matters

Action requested: The Standing Committee is invited to review the various budgets requested by SC36, namely a Zero Real Growth budget, a Zero Nominal Growth budget, a 4% increase budget and a budget for the full proposed future Secretariat staffing and structure, and to advise on the finalization and transmittal of 2009-2011 budget proposals for COP10 consideration.

1. In Decision SC36-9, “The Standing Committee requested the Secretariat to prepare for SC37 consideration, in addition to refining the budget options in DOC. SC36-22 Annexes I and II, budget proposals for ‘zero nominal growth’ and ‘zero real growth’ budgets. The Committee also requested the Secretariat to prepare for SC37 an analysis of the implications of those zero-growth budget options for the core budget and Secretariat operations, including an estimate of what Secretariat work would not be capable of being delivered if one of them were to be adopted.”
2. Budget projections for the triennium 2009-2011 have been developed using the 2008 core budget as a starting point. The Standing Committee should note that the 2008 core budget allocations in the table provided in Annex III have been subject to minor adjustments to those approved by Decision SC36-8 to reflect updated staff salaries according to minimum increases allowing for annual performance-related increments and the cost of living adjustment of 1.3%.
3. When considering the budget proposals attached to this note, the Subgroup on Finance and the Standing Committee are also urged to take into consideration the implications of the analysis provided in Annex 4 of DOC. SC37-5 of the historical patterns of growth of the Convention, its core budget, and Secretariat staffing. Notably this analysis shows that whilst the Convention has continued to grow steadily since its inception, with some measures of growth (such as Ramsar site designations) indicating more rapid growth in the past ten years than earlier, despite this growth and the increasing workloads it implies, the resources of the Convention (core budget) and capacity and staffing of the Secretariat have not kept pace. The rate of increase in the core budget has been progressively slowing over the past ten years, as has the growth in Secretariat staffing, which has leveled off in recent years. Furthermore, comparisons with the budgets and staffing of other multilateral environmental agreements (MEAs) indicate that the Ramsar Convention has fewer Secretariat staff per Contracting Party and a much smaller budget per Contracting Party.
4. The notes on each of the four 2009-2011 budget proposals in Annex I provide an assessment of some of the implications for Secretariat operations, as requested by Decision SC36-9. Further implications and assessment of current Secretariat staffing and capacity to deliver the work expected of it by Parties are provided in DOC. SC37-5.

5. Annex I to this note provides one table of core budget income for each of the four budget options, and a separate expenditure table for each of these budget options, organized in the same manner as the 2008 expenditure table.
6. In Annex II, for ease of comparison of the implications for Contracting Party annual contributions under the various budget options, a single table showing the annual contributions for the four options is provided for 2009. Once the Standing Committee has determined in what form the budget proposals will be transmitted to COP10, the Secretariat will add to this tabulation the provisional annual contributions for 2010 and 2011.
7. In considering the budget proposals to transmit to COP10, however, the Standing Committee should also take into consideration the implications of the proposal to change the Ramsar triennial cycle to a quadrennial (4-year) cycle provided in DOC. SC37-4. Should such a proposal be adopted by COP10, it will be necessary for the smooth running of the Convention to have agreed at COP10 a budget for the 4-year cycle (i.e., including a core budget for 2012). The Standing Committee may therefore, if that proposal is approved for COP10 consideration, wish to request the Secretariat to prepare the core budget proposal for COP10 to cover the years 2009-2012 as well.

1) Zero Real Growth Budget

8. The Zero Real Growth Budget description is that there is no increase in the Total Forecast Expenditure line of 2008 in the budgets for 2009, 2010 and 2011. However, certain budget lines within this overall budget total will need to increase during the triennium, given current rates of increase in costs of living and in the provision of services such as travel and overall operating expenses. Accordingly, other budget lines must be reduced to keep within the total budget amount.
9. Calculation of staff costs have been based on a steady cost of living increase of 1.3% (as for 2008) plus annual performance-related salary increments. Travel budgets (for Secretariat staff and for Standing Committee and STRP meeting participation) have been increased by 15% as that is the minimum percentage increase that is expected in the industry and since otherwise the Secretariat staff who travel would not be able to fulfill their work plans if they had smaller travel budgets. Some increased expenditures costs of 4% were added to budget lines to cover realistic anticipated increases in overall operating expenses and for simultaneous interpretation costs for Standing Committee meetings, as these increase each year.
10. An amount of CHF 3,000 has been added for travel costs, according to Decision SC35-10, to cover the costs of the current SC Chair's participation in the Transition Committee in 2009 (as proposed in DOC. SC37-1).
11. To balance the overall budget, the sum of these increases has been deducted from the budget line not directly affecting the Secretariat's operations, namely support to the regional initiatives. However, even after reducing allocation to regional initiatives to zero in 2011, and reducing the communications and reporting implementation budget by CHF 20,000 in 2011, there still remains a deficit of CHF 92,879. The overall implication is that it would not be possible to maintain the current level of Secretariat staffing and operational support by 2011.

2) Zero Nominal Growth Budget

12. The Zero Nominal Growth Budget description is that legitimate expected increases in costs can be added to the Total Forecast Expenditure line of 2008.
13. These cost increases have been applied in the same way as in paragraphs 7 and 8 above for the Zero Real Growth budget. Support to regional initiatives is maintained throughout the triennium at 2008 levels. A nominal annual increase in the budget allocation for the Ramsar Sites Information Service has also been made, but it should be recognized that this is below the level anticipated to be needed to maintain the service at its current level of operation, given that much of this funding concerns staff salary costs.
14. This budget option would not allow for any recruitment of additional Secretariat staff to be funded from the core budget, unless other budget allocations are significantly reduced.
15. This budget option results in an initial (from year 2008 budget) increase of 3% and subsequent budget increases averaging 4.05% .

3) Four Per Cent Growth Budget

16. The Four Per Cent Growth Budget description is based on applying a base 4% on those expenditure items where costs are expected to increase (as best as can be estimated).
17. Anticipated expenditure increases have been applied as for the two zero growth budgets above. Anticipated realistic cost increases for the Ramsar Sites Information Service to be adequately maintained and its development continued have been included, as has a 4% annual increase in support to regional initiatives.
18. This budget option would not allow for any recruitment of additional Secretariat staff to be funded from the core budget, unless other budget allocations are significantly reduced.
19. This budget option results in an initial 4% increase and subsequent budget increases averaging 4.57% annual growth.

4) Proposed future Secretariat staffing and structure budget

20. As requested in Decision SC36-9, this budget option is provided to indicate the core budget implications of full cost coverage of the proposed increased Secretariat staffing. In Decision SC36-15, the Standing Committee endorsed the increased staffing proposal as one that is appropriate in a general sense for 2009-2011 and to be considered as a realistic vision for a future Secretariat structure to deliver the aspirations and development of the Convention.
21. Salary and social costs for each of the additional Secretariat staff posts have been calculated at 50% for 2009 and 100% for 2010 and 2011. This is based on the assumption that, should this budget or one that includes core budget coverage for some of the posts be approved at COP10, recruitment processes mean that staff coming into such new posts would be able to do so in about June 2009 at the earliest.

22. Calculation of expenditure increases are as those for each of the other budget options (see paragraphs 7 and 8 above).
23. This budget option results in an initial 24% increase over the 2008 budget with subsequent increases in 2010 of 5%, and 3% for 2011. This results in an average increase for the triennium of 11%.

5) Other considerations

24. Not taken into consideration in the preparation of these budgets is current and future capacity for fundraising for supporting participation in Convention meetings (regional meetings and COP) and for COP administration where the Host Country has not been able to support the Secretariat, as well as for other fundraising such as for the Small Grants Fund. At present the Finance Officer has had the responsibility to prepare budgets and documents for all such fundraising efforts needed, but increasingly this time-consuming work competes with other essential finance management work which needs to be delivered by the Secretariat. The Standing Committee is requested to give consideration also to including a budget allocation for a part-time fundraising consultant to assist the Secretariat with more effective and efficient fundraising for such needs.
25. The Overhead Service Charges agreement with IUCN is being renegotiated for the triennium 2009-2011, but will not be signed until after COP10 has approved the budget. New internal controls required by Switzerland may entail some additional work for the Secretariat and may also mean more work for the IUCN finance services, which may in turn result in a higher service charge. As the discussions and negotiations progress and their implications become clearer, the Secretariat will keep the Subgroup on Finance informed and as necessary seek its advice on this matter.
26. The following annexes are attached as three PDF documents.

Annex I

**Core budget options 2009-2011
Income & Expenditure**

Annex II

Annual Contributions implications – 2009 invoices

Annex III

Core Budget 2008, revised

Draft Resolution X.00

Financial and budgetary matters

1. RECALLING the budgetary provisions established by Article 6, paragraphs 5 and 6, of the Convention;
2. ACKNOWLEDGING WITH APPRECIATION the prompt payment by the majority of Contracting Parties of their contributions to the core budget of the Convention, but NOTING WITH CONCERN that a number of Parties are still significantly in arrears (DOC. X.00);
3. NOTING WITH GRATITUDE the additional financial contributions made by many Contracting Parties through their Ramsar Administrative Authorities and other agencies, including some development assistance agencies, and also the contributions made by non-governmental organizations and the private sector for activities undertaken by the Secretariat.
4. ACKNOWLEDGING ONCE MORE WITH APPRECIATION the financial and administrative services provided to the Secretariat by IUCN; and
5. NOTING that Contracting Parties have been kept informed of the financial situation of the Convention Secretariat through the financial audited reports for fiscal years 2006 and 2007 and the reports of the Standing Committee meetings in 2006, 2007, and 2008 that have been circulated to Contracting Parties;

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6. NOTES WITH PLEASURE that since the 9th meeting of the Conference of the Contracting Parties in 2005 the Secretariat has managed the Convention's funds prudently and efficiently, and APPRECIATES improved financial reporting arising from the new management arrangements with IUCN;
7. URGES the Secretary General, in managing the budget, to attempt to refill the Reserve Fund established by Resolution VI.17, which will also partly fulfil the need to have a prudent reserve in the unlikely event of the sudden dissolution of the Secretariat;
8. EXPRESSES ITS GRATITUDE to the Contracting Parties that have served in the Subgroup on Finance of the Standing Committee during the past triennium, and in particular to the United States of America, which acted as Chair of the Subgroup;
9. DECIDES that the Terms of Reference for the Financial Administration of the Convention contained in Annex 3 to Resolution 5.2 shall be applied *in toto* to the 2009-2011 triennium;
10. FURTHER DECIDES that the Subgroup on Finance, as established by Resolution VI.17, shall continue to operate under the aegis of the Standing Committee and with the roles and responsibilities specified in that Resolution;

11. APPROVES the budget for the 2009-2011 triennium as attached as Annex I to enable the implementation of the Strategic Plan of the Convention;
12. AUTHORIZES the Standing Committee, with the advice of its Subgroup on Finance, to change budgetary allocations between budget lines in the light of significant positive or negative changes during the triennium to the rates of inflation and interest income projected in the budget;
13. RECOGNIZES that the establishment of a Transition Committee of the Management Working Group (DR X.00), involving the Chair of the Subgroup on Finance, will strengthen the continuity of the Subgroup's work across triennia;
14. DECIDES that the contribution of each Contracting Party to this budget (other than those making voluntary contributions) should be in accordance with the scale of assessments for the contribution of Member States to the United Nations budget as approved by the UN General Assembly, except in the case of Contracting Parties which, in applying the UN scale, would make annual contributions to the Ramsar Convention budget of less than CHF 1,000, in which case the annual contribution shall be that amount. The difference between the assessed contribution for these Contracting Parties according to the UN scale and the minimum threshold of CHF 1,000 shall be allocated, when actual payments have been effected, to another budget line or lines of the core budget, on the advice of the Standing Committee's Subgroup on Finance. All other Contracting Parties will continue to be assessed in accordance with the UN scale of contributions as indicated in Annex II, except in the case of those Contracting Parties making voluntary contributions, as indicated in Annex I;
15. CALLS UPON all Contracting Parties to pay their contributions promptly by 1 January of each year, URGES Contracting Parties in arrears to make a renewed effort to settle them as expeditiously as possible, and AGREES that the Standing Committee at its 40th meeting should further consider options for dealing with Parties which are consistently in arrears with payments to the Convention; and
16. AFFIRMS that the rate of increase of the Ramsar Convention budget for the triennium 2009-2011 shall not be considered as setting a precedent for the budget of any other international convention [and has been passed noting the official position of concerned Parties supporting zero nominal growth for all international conventions].

Annex I: Budget approved for 2009-2011 [to be supplied]

Annex II: Contracting Parties' contributions, 2009-2011 [to be supplied]