

Report back on current financial matters, including SC42 finance decisions

Action requested: The Standing Committee is invited to review the contents of this report; the Subgroup on Finance will report further on each item within it during the 43rd meeting of the Committee, and the Committee will then be in a position to consider the next steps to be taken in these matters. Reference is also made to DOC. SC43-17, “Adjustments to the roles and composition of the Standing Committee,” where additional information relating to matters covered here can also be found.

Financial challenges for 2011 and 2012 budget approval

1. The consequences of general economic pressure and the strong Swiss Franc are so far even more challenging this year than in 2010. Many, including the government of Switzerland, have recognized the negative effects of the strong Swiss Franc, and significant measures are being taken by all organizations working in Switzerland.
2. The Ramsar Convention Secretariat is not immune to these realities, and we need to plan and take action to alleviate the effects of these circumstances. We are running a very tight budget for 2011, and the general economic situation, particularly the strength of the Swiss Franc, continues to work against us.
3. At this point, for 2011, we must seriously consider two main issues:
 - a) The Convention has not yet received its 2011 core contribution from the USA (budgeted to be CHF 1,022,590). Current information is that the USA will pay USD 1 million (a modest USD increase over last year). This is currently worth only around CHF 800,000 to the Convention, however, and, unless the dollar strengthens by more than 20%, it leaves us with a financial gap. The Secretariat is in close contact with the USA concerning the contribution, and we are monitoring the situation and exchange rates carefully. However, as we will need to spend this contribution in 2011, and as we cannot speculate about a rate recovery, we need to consider the operational impact of this likely shortfall.

At September 2011 rates, this gap amounts to **CHF 223,000**, which represents 4.5% of the Convention’s total core operating budget for 2011.

- b) The Euro continues to weaken as well, and although it has gained some 10% in August, as of the beginning of September it is still 6% weaker than it was at the end of 2010. With our long Euro holdings, therefore, we are exposed to currency losses, and at current rates the Convention might also have a **CHF 100,000** unrealized exchange loss on Euros to cover.

4. If the situation turns out to be as bleak as sketched above, and no adjustments are made in the meantime, we currently forecast that we may end 2011 about CHF 350,000 in the red. Currently the Reserve Fund amounts only to CHF 302,000.
5. The Secretary General and Finance Officer have reviewed options to get to a break-even position for 2011 and have taken preliminary actions, and these will be discussed with the Subgroup on Finance and Standing Committee members at SC43. A proposed rebudget for 2012 will also be presented, and the alternative actions that are available to deal with the ramifications of the various uncertainties into 2012 will be discussed and concluded upon.

2011 audited accounts and formal 2012 budget approval

6. The audited accounts for 2011 and final rebudget for 2012 will be electronically circulated to the Subgroup on Finance for sign-off approval in late March 2012, together with an update on the financial status of preparations (administrative costs and sponsored delegates) for the 11th meeting of the Conference of the Contracting Parties (COP11).

Decisions of the 42nd meeting of the Standing Committee (SC42)

7. At its 42nd meeting, the Standing Committee agreed a number of finance-related decisions requesting action, and progress is reported here for all of them except Decision SC42-17, which is dealt with in DOC. SC43-02.

The Reserve Fund

8. **Decision SC42-12:** Within this decision “the Standing Committee requested the Chair of the Subgroup on Finance and the Ramsar Finance Officer to develop guidelines for ensuring that [Reserve Fund] transfers are not made until after end-of-the-year financial results are known”.
9. The following guidelines are suggested:
 - i) Where the Reserve Fund is in excess of its maximum (as currently laid down in Resolution VI.17, 1996), the Standing Committee should, at its regular meetings, recommend how this surplus should be used. If at the end of the financial year following their recommendation the surplus still exists, their recommendations will be implemented; and
 - ii) At each meeting of the Subgroup on Finance where financial statements are reviewed, the Subgroup should review how the Secretary General has used any of the Reserve Fund and report to the Standing Committee.
10. By adopting these guidelines, the Standing Committee more than fulfils the terms of Resolution X.2, para. 21, which “REQUESTS the Secretary General to report the status of the Reserve Fund to the Standing Committee and consult with the Standing Committee regarding the use of excess resources of the Fund” (the ‘excess’ being the amount that is over the maximum stipulated by Resolution VI.17).

11. The maximum permitted in the Reserve Fund has not been changed since its establishment by Resolution VI.17 in 1996, and in light of recent experience an increase of the maximum from 1/12 to 1/10 of the core budget of the current fiscal year should be considered for inclusion in the Draft Resolution on financial and budgetary matters for COP11 (see DOC SC43-02).

Arrears in Parties' annual contributions

12. **Decision SC42-13:** "In the matter of payment of Parties' contributions, the Standing Committee . . . urged all Parties experiencing difficulty or delay in their payments to advise the Secretariat at the earliest opportunity; urged Parties in arrears to correct that situation by making all possible efforts to reduce their outstanding arrears to 50% of current levels by the end of 2011 and to 30% of current levels by the end of 2012; and urged Standing Committee members and the Secretariat to continue to work with such Parties, stressing to all relevant ministries in such countries the importance and benefits gained from meeting their commitments to the Convention following their accession."
13. Efforts by the Secretary General, the Finance Officer, and Secretariat's Regional Teams are ongoing.
14. **Decision SC42-14:** "The Standing Committee requested the Secretariat to begin the process of considering new ways of dealing with the Parties which would avoid the longstanding bottleneck that is sometimes caused by the inability of Administrative Authorities to engage effectively; to seek feedback on ideas from Parties and regional meetings; and to report progress to SC43."
15. Though the scope of this SC decision is somewhat broader, in the matter of arrears in annual contributions and conclusions relating to different ways of encouraging Parties to both engage and pay, these issues will be on the agenda at each of the COP11 preparatory regional meetings in the second half of 2011 and early 2012. In addition to specific actions, the Subgroup on Finance meeting at SC43 will be asked to consider the merits of inserting into the Draft Resolution for COP11 on changes to the selection of officers for the Standing Committee the requirement that those Parties are not more than two years in arrears at the time of accepting a nomination to the Standing Committee.

Voluntary contributions

16. **Decision SC42-15:** "The Standing Committee . . . expressed concern at the continuing decline in such voluntary contributions; and urged all SC members, Parties, and the Secretariat to redouble their efforts to find voluntary funding for important upcoming activities such as pre-COP11 regional meetings, COP11 sponsored delegates, Small Grants Fund, STRP, and Ramsar Advisory Missions."
17. **For the pre-COP regional meetings,** the Secretariat has received delegate and meeting cost support through cash pledges and contributions from the following Parties: Australia, Canada, Czech Republic, Finland, Germany, Norway, Switzerland, and the USA. We have also received significant support from the meeting hosts: Burkina Faso, Indonesia, Jamaica, and Slovakia, as well as some in-kind contributions and offers to self-support from a handful of other Parties and organizations.

18. As of 23 August 2011, USD 530,000 had been raised, 88% of our target for COP11 preparatory regional meetings. The Standing Committee will recall that this was only intended to allow us to fund one member per OECD DAC-listed Party, and for some regions, such as Asia, it has been very difficult indeed.
19. **For the 11th meeting of the Conference of the Parties**, to date the Secretariat has received no specific pledges for sponsoring delegates to the COP, but in September we will send the first generic request to all Parties. We do have a target list of Parties to approach, and work has commenced on that. It is important to have all Parties present and participating at every meeting of the COP, and this fundraising must have the Secretariat's and Contracting Parties' top priority over the next few months.
20. In **Decision SC42-16**, "The Standing Committee requested the Secretariat to explore options for reducing voluntary contribution requirements for sponsored delegate participation, including a review of the rationale for sponsorship based on the OECD DAC list, in consultation with other convention's secretariats, and to provide options for SC43 consideration." The Subgroup on Finance will consider this and report to the Standing Committee regarding possible amendments to the process either before or after COP11.

The Small Grants Fund

21. In **Decision SC42-18**, the Standing Committee, recognizing that the Small Grants Fund in its present form has become increasingly unviable in cost/benefit terms,
 - a) requested the Secretariat to continue to seek alternative sources of financing for the Small Grants Fund and to report to the SC regularly;
 - b) encouraged the Parties and other potential donors to demonstrate their desire to keep the SGF operational by making significant voluntary contributions to the Fund;
 - c) instructed the Secretariat not to solicit or assess any SGF proposals for the 2012 cycle and to focus instead on seeking further funds for approved 2010 and 2011 portfolio projects; and
 - d) requested the Secretariat to explore additional alternative methods for providing on-the-ground support for Parties, such as providing advice and information to Parties and others on opportunities for funding for wetlands from other organizations.
22. The Secretariat is continuing to seek alternative sources of financing for the SGF, as well as additional methods of providing on-the-ground support for Parties, but efforts to encourage Parties and other potential donors to make significant voluntary contributions to the Fund have not yet resulted in any 2011 contributions, though we are hopeful that one Party at least might yet make a substantial 2011 contribution. Efforts will continue and will be reported upon at the COP, although no specific Draft Resolution on the SGF is currently proposed. Pleas for SGF contributions have been included in the DR on financial and budgetary matters for COP11.
23. As instructed, the Secretariat will not be soliciting or assessing any 2012 SGF proposals, and no communication requesting Standing Committee approval of 2012 projects will be distributed at this time next year.

Simultaneous interpretation for subgroup meetings

24. **Decision SC42-19:** “The Standing Committee noted that the additional costs of subgroup simultaneous interpretation are not included in the current core budget and requested the Secretariat and the Subgroup on Finance to explore options for such funding for 2012 and for the 2013-2015 budget, including providing to SC43 a full cost estimate with all its implications as well as other low or no-cost options to facilitate the participation of non-native English speakers.” The Subgroup will consider and report on this matter to the plenary sessions at SC 43.