



**Basel Convention on the Control of
Transboundary Movements of
Hazardous Wastes and their Disposal**

Distr.: General
3 December 2007

English only



**Rotterdam Convention on the Prior
Informed Consent Procedure for
Certain Hazardous Chemicals and
Pesticides in International Trade**



**Stockholm Convention on
Persistent Organic Pollutants**

**Ad hoc joint working group on enhancing cooperation and
coordination among the Basel, Rotterdam and Stockholm conventions**
Second meeting
Vienna, 10–13 December 2007
Item 3 of the provisional agenda*

**Consideration of the intersessional work undertaken by the
members of the ad hoc joint working group and by the
Secretariats of the Basel, Rotterdam and Stockholm Convention**

Financial management and audit functions

Note by the secretariats

Attached is the thought starter on “Financial management and audit functions” prepared by Slovenia for consideration by the meeting. It is presented as received and has not been formally edited.

* UNEP/FAO/CHW/RC/POPS/JWG.2/1.

Ad Hoc Joint Working Group on Enhancing Cooperation and Coordination

Thought Starter 2.12: Financial Management and Audit Functions

Contribution from the Slovenian representative

Introduction

1. As requested in the guidance of the Co-chairs, this thought starter explores different levels of coordination, including the unification of the financial and management functions. It draws on the Secretariat's useful document UNEP/FAO/CHW/RC/POS/JWG.2/INF/4 on the same subject and takes account of the thought starter on back to back meetings JWG.2/13. Document JWG.2/INF 8 prepared by Switzerland and Nigeria is also relevant to it.
2. The title given to the thought starter is quite narrow. Taken literally it relates simply to how separate financial resources could be managed through joint arrangements, for example through a common Financial Office and with shared internal and external audit arrangements. However, the guidance given on the outline for the paper mentions the wider issue of joint resources and it is the author's understanding that the JWG wanted to look at the possibility of some level of joint budgeting. Thus the paper gives itself a relatively wide remit.
3. In doing so it is fully recognised that financial resources are the means by which Parties equip themselves to implement the policy programme and field activities laid out in the Conventions themselves and in COP decisions. Thus any discussion about financial cooperation should follow identification of desired joint activity in line with the principle that form and finance should follow function. It is therefore suggested that consideration of this thought starter should be taken relatively late in the JWG process. Close financial cooperation would pose real, but not insuperable, challenges in terms of governance, and the Group would need to be satisfied that the substantive benefits to be gained made it worth confronting these.
4. In terms of analysis, the thought starter first looks at the Financial Rules of the 3 Conventions in order to establish the degree of commonality between them. Fundamental differences in the 'rules of the game' would need consensus decisions by Parties to iron out structural blockages before financial cooperation was possible. The paper then examines the structure of the 3 budgets and the importance of the different types of expenditure to see whether the 3 sets of Parties share a similar approach to the resources needed for the operation of their instrument. Next the scope for managing separate or joint resources through a joint financial management unit is examined. Finally the possibility of pooling various types of resources is looked at. On the basis of the analysis each section contains a summary that could form the basis of recommendations to Parties at large.

The Rules of the Game: a comparison of the Financial Rules and rules in budget decisions

5. As with all UN related MEAs the Conventions are ultimately subject to the UN Financial Rules. Only where the COPs decide to deviate from the standard practice set out in the rules approved by the UN General Assembly, do different arrangements apply. In most cases the differences reflect practicalities like the need to establish Convention-specific Trust Funds and to authorise the Executive Secretary to manage the budget.

Nature of the decision on the financial arrangements

6. Not surprisingly, as two Conventions negotiated over a relatively short time period by many of the same people, the Stockholm and Rotterdam Conventions have very similar Financial Rules which were adopted (and can only be changed) by unanimity and are set out in decisions RC1/4 and SC1/3. The arrangements of the Basel Convention are not called Financial Rules but are set out in Terms of Reference for the Administration of the Trust Funds that, every time there is a change, are appended to the biennial budget decision. Again any amendment to the ToRs has to be adopted by consensus. The last alteration to the ToRs was made in decision CHW VI/41. However, a further

politically important change was made at COP 7 when it was agreed that all Parties should pay assessed contributions. Previously countries that paid less than 0.1 % under the UN General Assembly scale of assessment were exempt from making contributions to the Basel regular budget. The universalisation of contributions was implemented simply by altering the budget contributions table and not by adopting new ToRs.

7. In order to promote coordination, thought could be given as to whether it would be worth transforming the Basel ToRs into free-standing Financial Rules that would be more accessible to the Secretariats and Parties of the three Conventions. In this context it should be noted that the ToRs model is only used by UNEP-linked Conventions adopted before 1992. Making the change would require a unanimous decision adopting the Rules. Obviously the danger in doing so would be that during the negotiation of that decision, changes of substance might be made that moved the Basel arrangements further away from those of PIC and POPs. Thus if it were decided to take a decision on Financial Rules, it should probably be preceded by one on cooperation and coordination confirming that amendment of the Basel financial arrangements would be helpful in that context.
8. Differences remain in all three sets of 'rules'.

Role of UNEP as the Trustee and designation of the Budget Manager

9. The main apparent difference between Rotterdam and Stockholm reflects the fact that the drafters of the PIC Rules did not want to prejudice the separate discussions then underway on the organisation that was to host the Secretariat and on whether the Secretariat should have a joint or a single head. Thus the POPs Rules specifically mandate the Executive Director of UNEP to establish the Trust Funds of the Convention and to designate a bank account for the payment of contributions. They also provide for the reimbursement of Programme Support Costs (PSC) to UNEP at a level to be agreed between UNEP and the COP (currently 13% of operational expenditure). The PIC Rules call for the establishment of identical Trust Funds but do not specify who should undertake the task and leave the designation of a bank account for contributions to an unnamed Trustee. In Rotterdam the level of PSC has to be agreed between UNEP, FAO and the COP, but again is currently 13%. While these differences are theoretically important, in practice the PIC Trust Funds and contributions account have been established by UNEP and should either UNEP or FAO want to change the level of the PSC this would need to be agreed unanimously by Parties. Since the outcome has been the same there would be no need to harmonise these actual provisions in both sets of Rules in order to allow cooperation in financial management.
10. These elements of the Basel ToRs are similar to the POPs model although the wording is slightly different in that the Executive Director of UNEP, rather than the Head of the Convention Secretariat, is charged with 'administering' the Trust Funds. *Question to SCS is there a formal delegation of authority to the ES?*

Budget Currency

11. The financial arrangements of all three Conventions provide for two Trust Funds in each case. These are all denominated in US \$ although the most recent budget decisions for Rotterdam and Stockholm refer to a study being undertaken by the Rotterdam Secretariat on the implications of using an alternative currency given that expenditure mostly takes place in Swiss francs and, for PIC, also in Euros. This study is being undertaken because Parties were aware that at least two other Conventions (the Convention on Combating Desertification - UNCCD, and Bonn Convention on Migratory Species - CMS) have taken decisions on changing the currency following losses due to a long term decline in the dollar.

The General Trust Funds

12. In each case, the general Trust Fund meets the operating costs of the Secretariat and the meetings of the COP and subsidiary bodies. The cost of participants from developing countries in specialist bodies, such as the POP Review Committee, the PIC Chemical Review Committee and the Basel Compliance Committee, where members work for the good of all Parties rather than represent their own State, are also met from the general Trust Funds. The level of expenditure for the general Trust Fund for the coming biennium has to be unanimously agreed by the COP.

Assessed Contributions

13. In each case the general Trust fund is partly financed by assessed contributions based on the UNGA scale of assessment but modified to take account of the more limited membership of the Convention, the 2.5% contribution of the European Community and the threshold for the smallest contributions. Having the same scale of assessment

for all three Conventions would ease the pooling of operating resources (see section on joint financing below), although it is not absolutely essential to allow joint budgeting.

14. For both Rotterdam and Stockholm, the Financial Rules explicitly specify that the maximum contribution should be 22% and the minimum for least developed countries 0.01%. This is above the 0.001% minimum contribution of the UNGA scale but was chosen in order to achieve the financial involvement of all Parties while setting the absolute value of contributions above the cost to the Secretariat of collecting them. Thus in the case of PIC the minimum contribution for 2008 will be \$204, while for POPs it will be \$391.
15. The Basel ToRs do not specify the maximum and minimum contributions but simply refer to the budget table. As noted above, it was not until COP 7 that the principle that all Parties should all contribute to the operating costs was agreed. This meant that 116 Parties that had previously benefited from the 0.1% cut-off, started to contribute. In order to ease the burden it was agreed to set the minimum contribution at the same level as the UNGA scale ie 0.001% even though it was recognised that this meant individual contributions from the poorest countries would be very low. COP 7 also agreed that "any change in the scale of assessment would only be made by consensus on the basis of proposals circulated at least ninety days before the meeting of the Conference of the Parties at which they are to be considered." The budget set by COP 8 has a maximum contribution of 22% and a minimum of 0.00129% (ie the UNGA minimum scaled up to account for the difference in membership). This means that under Basel contributions of only \$52 will be due from 34 Parties in 2008 and collecting these probably involves a net cost to the Secretariat. Introducing a minimum level of 0.01% in line with Rotterdam and Stockholm, would have increased the 2008 contributions of 68 Parties to \$398 and benefited all other Parties except the European Community and Japan.
16. One way of compensating the countries required to make an additional effort, would be for donors to commit themselves to increasing resources for participation so as to ensure the representation of the 68 affected Parties at Basel OEWG 7 and COP 10 (ie the first two meetings after decisions on cooperation and coordination at COP 9). Meeting the participation costs would be equivalent to at least 10 years increment in contributions.
17. An alternative means of introducing a common minimum contribution which would not put the whole focus on the poorest countries, but would require unanimous agreement, would be to amend the minimum in the Financial Rules of both Rotterdam and Stockholm. It might be considered that a common figure of 0.005% for all three Conventions would spread the burden of change reasonably fairly while ensuring that the sums to be collected in all cases were above the administrative costs of doing so.

Other contributions to the operating budgets

18. Assessed contributions are not the only source of funding for the operational budgets or the general Trust Funds. In all three cases UNEP provides a certain number of staff for administrative and financial functions who are financed from the 13% Programme Support Costs. In the budgets this is treated as a contribution in kind and the salaries of these officers are not explicitly included in the staff costs with an offset. In addition, in the case of Rotterdam the professional staff provided by FAO are paid for by the FAO regular budget rather than the Parties, although the Convention has established a special reserve which contains the resources required to continue paying these salaries for the biennium should FAO support cease. While all these hidden staff costs would make it more difficult to calculate appropriate shares of any joint budget (see below), the arrangements themselves are not an obstacle to cooperation and coordination. Indeed as noted in the section on a joint finance unit below, the use of PSC-funded staff to undertake budget and administrative work makes cooperation easier.
19. The Rotterdam and Stockholm Conventions also benefit from host country contributions to the general Trust Funds. In the case of Rotterdam where both Italy and Switzerland act as hosts and provide matching contributions the result is particularly generous. For the moment assessed contributions represent only 57% of the operational budget although this will go up over time since the host countries provide fixed sums. In the case of Stockholm, assessed contributions represent 72% and again the share will rise. Basel does not benefit from a declared host country contribution to the operational budget. However, unlike for the other two where this is explicitly excluded under the Financial Rules, the ToRs allow non Parties to contribute to the operational budget. This does not seem to have happened since the COP 3 when the USA made a contribution equal to 2.7% of the assessed contributions. For Stockholm and Rotterdam, Parties decided not to allow such contributions to the operational budget (although they strongly welcomed help with the voluntary Trust Funds) because they thought that Parties should not be reliant on uncertain outside financial support that might be unilaterally withdrawn in response to decisions made, when giving strategic direction and setting priorities for the Secretariat.

20. As with UNEP and FAO's contributions in kind, the existence of host country contributions and potential contributions from non Parties does not in itself prevent a joint budget for operational activities. However, it certainly makes calculating 'fair shares' in assessed contributions towards the joint activities more complex.

Voluntary Trust Funds

21. All three Conventions have voluntary Trust Funds for activities beyond those of simply financing the Secretariat and holding core meetings. In all cases the participation costs of representatives of Parties from developing countries and economies in transition in COPs and any subsidiary bodies that might be established, such as the Basel OEWG, are met supported from the voluntary Fund. Technical assistance needs agreed in COP decisions and, for Basel, contributions for the activities of the Regional Centres and support for cases of emergency and compensation for damage, are also set out in the voluntary Trust Fund. Unlike for the general Trust Funds, the COPs do not approve the voluntary Trust Fund estimates set out in the biennial budget decision, but simply 'note' them.
22. Actual contributions to the voluntary Trust Funds and the implementation of the agreed work covered by the voluntary budget, depends on financing from individual donors. Funders may choose to make un-earmarked contributions whose use is determined by the Secretariat in the light of any decisions on priorities decided by the COP or, more usually, are earmarked by the donor for a specific activity. Within the overall voluntary Trust Fund the contributions of individual donors may be kept in separate sub-funds and be accounted for separately.

Working Capital Reserve (WCR)

23. All three Conventions contain provision for a WCR to allow the secretariats to face cash flow problems for example caused by delays in contribution payments. The size of the WCR is fixed in the biennial budget decisions and can therefore be amended fairly easily. For both Rotterdam and Basel it is currently 15% of the annual average operational budget of the biennium (ie two months cash) while for Stockholm it is 8.3% or one month.

Arrears

24. Non-payment of assessed contributions are treated as arrears once the financial year to which they relate is over (in all cases contributions are due by 1 January at the latest). Arrears have become a problem in the Basel Convention (where they now amount to 7% of the latest biennial budget) and are already developing under both the Rotterdam and Stockholm Conventions. For Basel recent budget decisions have put in place a system whereby the Executive Secretary can agree plans with those with long term arrears to clear the backlog. For the newer Conventions this system has not yet been discussed but instead there is a provision, for the President of the COP and the head of the Secretariat to write to parties in arrears impressing on them the need for timely payment. This provision also exists in the COP 8 Basel budget decision except that there, due to the larger scale of the problem, it is the Executive Director of UNEP who is invited to write with the COP President. All three Conventions also keep an up-to-date table showing the status of contributions on their websites.

Audit and reporting

25. All three Secretariats provide detailed reports on their activities to the COPs and present the latest available financial information to the informal group that is established to negotiate the budget decisions.
26. All three Conventions have identical audit arrangements since their financial 'rules' state that the financial audit arrangements of the UN should apply. As yet neither the Rotterdam nor Stockholm Conventions have operated for long enough for audited statements to be available for presentation to the COP. Audited statements refer to the previous biennium and not to the period during which the COP takes place. Thus the two COPs 4 should expect to receive the first set of audited accounts.
27. Recent Basel COPs have received the audited statements of account as part of the conference documentation and these are also posted on the website. However, as far as the author has been able to discover from the documents for the last two Basel COPs and the Convention website, the COP has not received any audit reports commenting on the accounts and on financial and managerial performance. Thus recent experience does not seem to be in accordance with paragraph 14 of JGW/INF/4 where it is stated that the reports of the Office of Internal Oversight Services (OIOS the UN's internal auditors) and the UN Board of Auditors are submitted to the COPs. Indeed there seems to be a disparity between paragraph 14 and 15 where it is said the external audit by the UN Board of Auditors is done as part of the UNEP accounts. This could easily explain why a COP would not receive any

specific comment on the accounts since the Secretariat's activities are small in relation to the overall work of UNEP. *Question to secretariats – has the author properly understood the experience of the 3 Conventions?*

28. Nevertheless the recent Basel experience seems regrettable and could arguably be said to be in contradiction with paragraph 23 of the current Basel ToRs where the Executive Director is mandated to submit the accounts for the two-year financial period audited by the UN Board of Auditors as soon as practicable after the end of the financial period. The latest (2005) accounts statement on the website does not contain an assurance from the UN Board of Auditors or a report but is simply a signed statement from the UNON Accounts Section.
29. The current situation differs from some other MEAs, including the Montreal Protocol where audit reports are submitted to help the budget committee. The CBD, which is also a UNEP administered Convention has had a full audit report submitted to the COP and will receive another one at COP 9. Detailed reports from both the UN Board of Auditors and the office of Internal Oversight Services have been provided to the UNCCD, although of course this is not a UNEP-linked Convention. In this context it is also worth noting that UNCCD has just agreed to create an Internal Auditor post to be shared with the UNFCCC.
30. The approach of a self-standing audit report for an MEA seems more in keeping with the autonomous nature of the COP's governance structure. If the budget periods of the three Conventions were brought together this might provide sufficient critical mass in terms of expenditure (over \$26 million in the operational budgets alone) to allow a free-standing OIOS or UN Board of Auditor's report and provide more detailed expert comments to the heads of the Secretariats and the COPs.

Budgeting period

I. Summary on the Rules of the Game

The above analysis shows that while there are complications, especially in relation to the minimum share of contributions, there is nothing in the 'rules of the game' that would prevent a much higher degree of financial cooperation and coordination that has been achieved so far. Thus it is possible to continue with the analysis to identify any other potential barriers and the possibilities for actually putting in place a system of greater cooperation.

31. This element is treated separately since differences do not stem from the financial arrangements and solving them is related to decisions on the timing of COPs.
32. Rotterdam and Basel both have a budget biennium starting in an odd year (currently 2007 – 2008), while Stockholm starts in the even year (currently 2008 – 2009). In all three cases the Financial Rules simply state that the financial period for the trust funds shall be a biennium consisting of consecutive calendar years so that the difference in periods is just a reflection of the timing of the first COPs. Thus alignment of the biennia would not require a permanent revision of any of the three sets of Financial Rules.
33. Any coordination of the budgets would require that they cover the same time period. The easiest way to achieve this would seem to be to bring the Stockholm budget into line with the other two, which would either require a one year budget for 2010 or a triennial budget for 2010 -2012. Either would require unanimous agreement at COP 4, probably as part of the budget decision since, as noted above, the Financial Rules provide for a biennial budget. There is a precedent for not fixing a budget for two years as COP 1 adopted a definitive budget for the first year of the biennium and provisional figures for the second year that were then amended by COP 2. Triennial budgets exist in other UNEP-sponsored MEAs, notably CITES and the CMS.
34. Having a one year budget for 2010 would require bringing forward Stockholm COP 5 to 2010 in order to set the first of a series of biennial budgets starting in the same odd year as those of Basel and Rotterdam (2011). This is possible under the Stockholm Rules of Procedure since Rule 4.1 gives the COP discretion in the timing of ordinary sessions. It would have the advantage of bringing the phasing of COPs closer together thereafter and so might help in the implementation of any agreed use of back to back meetings. Using a triennial approach would give the Secretariat a longer financial horizon for the post 2009 POPs budget period but, like the one year 2010 budget, would need a one year gap between two COPs (in this case COP 5 and COP 6). Without the 'extra' COP either COP 5 would need to be delayed to 2012, which would mean delaying important policy decisions, or the budget would need to be set up to 18 months before a biennium when it would be difficult to have a realistic view of

needs. In any case, having a triennial budget for 2010 – 2012 would mean that budget coordination between the three Conventions would have to await the 2013 – 15 biennium, whereas adopting a one year budget at POP's COP 4 would allow coordination from 2011 – 13.

II. Summary on the budgetary period

Bringing the 3 budgets into phase with a common biennium is essential for any integration and can most easily be done by advancing COP 5 of Stockholm by one year.

Structure of the Operating Budgets

35. All three Conventions adopt budget decisions that inter alia show spending by standard UN budget lines. These are staff (split between professionals and other staff), consultants, conference servicing (the costs of preparing and running meetings but not the costs of Parties' participation), official travel, subcontracts, travel for participants in specialist meetings (Bureaux, POPRC etc) equipment and premises, and a miscellaneous heading. These add to what is known to the total direct or operating cost which is then subject to a 13% addition for the Programme Support Costs charge imposed by UNEP in line with standard UN practice. Finally that total is increased by the incremental sum needed to maintain the Working Capital Reserve at the agreed level of the budget. NB it is only 15% or 8.3% of any addition to the budget that has to be provided by Parties each biennium since the existing WCR is kept in the accounts.
36. In all three cases the expenditure side of the budget described above is matched by identical presentations showing offsetting income from the host countries or the Convention's own reserves. As noted above, contributions to staff costs from UNEP or, FAO in the case of Rotterdam are not shown as offsets since the costs of the relevant staff are shown as zero on the expenditure side.
37. After deductions, a final figure is given showing the total contributions required from Parties and a separate table is provided showing the individual assessed contributions per year of the biennium for all Parties. All three Conventions now have a rule that if additional Parties join during a biennium, the assessment table adopted by the COP is not altered but the new Parties contribute *pro rate temporis* from the date of entry into force and that any adjustment is made at the end of the period and agreed by the next COP. While such adjustments could be used to give rebates to existing Parties, in recent years at least, all three Conventions have used them to boost reserves or increase the subsequent programme of work.
38. The standard budget presentation is supplemented in each case by staffing tables showing the numbers of staff and the grades of professional posts as well as unit staff costs for each grade.
39. While the author has not been able to undertake a detailed comparison of the three budgets under these budget line categories, the attached tables do give some indication that the 3 Conventions spend money in similar ways with about half of expenditure going on permanent staff.
40. In addition to the standard UN format budget tables each of the Secretariats have responded to the requests of their COPs and given information in a format that was intended to help Parties understand the outputs generated by their contributions.
41. The Rotterdam and Stockholm Secretariats have produced identical breakdowns of their operational expenditure by activity. The activity breakdown is ensuring effective functioning of the COP and its subsidiary bodies; outreach and assistance to Parties in the implementation of the Convention; Core Secretariat costs (over 70% of the total in both cases); and other activity headings reflecting individual COP decisions. No attempt has been made to provide indicators of achievement.
42. The Basel Convention Secretariat has gone furthest towards a results based budget as advocated by the UN General Assembly and the COP 8 budget decision contained a long table showing the expenditure divided into activities with details of services to be provided and indicators of achievement. The activities were conferences and meetings; executive direction management and strategic planning; programme and cross-cutting support; knowledge management and outreach; as well as office equipment and services. While the Parties were very appreciative of the effort made to inform them and allow them to set priorities, it was felt that some simplification of the table would be helpful.

43. The most recent budget decisions of the 3 Conventions call for the heads of the Secretariat to consult with the other two Conventions on budget presentation and in the case of Rotterdam and Stockholm there is a call 'make efforts towards achieving a harmonised budget format' between all three. The Basel and Stockholm decisions make clear that the aim should be to make it easier for Parties to have an overview of Secretariat activities, to identify priorities and to evaluate the work done.

III. Summary on budget structure

Parties have already approved decisions on budget structure that would support cooperation and coordination and efforts are underway to implement these.

Common Financial Unit

44. Until very recently both the Rotterdam and Stockholm Convention had relied on the same financial officer loaned by UNEP chemicals. Thus it is clear that for these two Conventions at least, the separate financial and administration tasks could be done jointly especially as the UNEP part of the Rotterdam Secretariat manages the accounts and the two instruments share a common UNEP head. Indeed while Rotterdam now has a professional officer financial post and Stockholm has 0.75% of a professional post and one full time general support staff for administration and budget these are all funded from the Programme Support Costs (PSC) and provided by UNEP. So a team working for both Conventions could be created immediately if the staff are not already working that way. This would provide flexibility to adapt to work loads which presumably vary over the year depending on the need to prepare financial documentation for the COP.
45. Since all three Conventions work under similar rules of the game and, as JWG.2/INF/4 makes clear, undertake similar functions with regard to financial management there seems to be no reason why the Basel Convention should not be added to a joint financial team. Here again one professional officer and two support staff working on administrative issues are in fact paid from PSC.
46. It might be that a joint team could be reduced in size or given additional functions since the Basel administrative team is larger than the other two and manages a smaller operational budget than Stockholm. However, the author is conscious that the Basel Secretariat may have a considerable work load in administering voluntary support for the Regional Centres that does not currently have an equivalent in the other two Conventions.
47. If a merger did lead to staff savings, it might be possible to create an internal audit capacity, as the Office of Internal Oversight Services has recommended for other MEAs. As a result the two unrelated Bonn-based Conventions, UNCCD and UNFCCC, have decided to create a joint internal audit post. The combined operational budgets of Basel, Rotterdam and Stockholm are larger than the UNCCD budget and could form a nucleus for a shared post also working for other Geneva-based MEAs. Of course the heads of Secretariats as well as the COPs would need to agree that such capacity would provide useful support for even more effective management of resources.

IV. Summary on a Joint Financial Unit

A joint financial and administrative unit for the 3 Conventions seems entirely feasible and, if so desired, might allow the strengthening of internal audit capacity.

Pooling resources

Pooling of Programmatic Resources

48. The most important purpose of greater coordination and cooperation is probably to provide more effective support for Parties in their implementation of the three Conventions. This involves programmatic coordination and cooperation between the Secretariats and hence has implications primarily for the voluntary Trust Funds since

these provide the resources needed to allow Secretariats to move beyond the day to day Convention servicing tasks financed from the operating budgets.

49. The most basic move towards greater coordination would be for the Secretariats to present the same combined table to the three COPs showing their individual proposals for programmatic activities. By bringing the information together this would stimulate both the Secretariats and the Parties to look for linkages, avoid duplication and to sequence activities or choose regional priorities on the basis of a more coherent picture than is currently available. Such an approach would not per se require any pooling of resources; activities could be designated as belonging to a particular Convention with the relevant designated components being 'noted' in the appropriate budget decision and any guidance on implementation of the activities also being provided in individual COP decisions. At this basic level no common governance structure would be required.
50. A further step, based on the common table, would involve the designation of some joint activities, while leaving others as single Convention programmes. One Convention could be given the lead for each joint activity and that Secretariat would be responsible for its administration. This would ease the burden both for the Secretariats and for the donors who would not have to split their contributions artificially between two or more voluntary Trust Funds. To ensure joint ownership it would be important to take note of the joint activities in the budget decisions of all participating Conventions but in a way that clearly showed where the financial responsibility lay. Again this would not require common governance of a budget since resources would not be formally pooled but directed to one or other voluntary Trust Fund in a mutually agreed way. The responsible Convention might wish to take decisions about priorities for its voluntary Trust Fund to guide its Secretariat in the allocation of un-earmarked money from donors. Such arrangements might however need the adoption by all the COPs involved of decisions giving common guidance on implementation of joint activities.
51. There might be other intermediate steps, but the far end of the spectrum for programmatic cooperation would appear to be replacing the three separate voluntary Trust Funds with one covering all the activities agreed for the three Conventions. The advantage of such an approach is that it would maximise the scope for coordination and cooperation to increase the effectiveness of support. As a complete and transparent package it should ensure that COPs provide any necessary guidance on implementation of the activities. It could also lead to larger integrated packages of support thereby reducing the administrative burdens on developing country partners compared with the current tendency to undertake numerous small activities. A single Trust Fund would also represent a more visible mass of resource needs and allow the pooling of expertise on resource mobilisation within the Secretariats. Traditional aid donors, who are strongly committed to the Paris Declaration on Aid Effectiveness agreed with many developing countries, could be more attracted to providing support for an integrated package of activities based on a wider assessment of partners' needs.
52. Nevertheless, a single voluntary Trust Fund would present challenges notably with regard to governance. Arrangements would need to be found that would allow a collective decision involving the three COPs on the inclusion of activities and on priorities. Moreover, any such decision would need to be unanimous in line with all financial decision-making in MEAs. As a consequence a state that was Party to only one Convention could block consensus even though the Parties to the other two Conventions might strongly support a joint activity. There could be a tendency to include all possible activities with no prioritisation thereby creating a Christmas tree of wants and undermining the credibility of the package with potential donors.
53. However, the challenge of common decision-making vis a vis a joint voluntary Trust Fund should not be overstated. As noted above in the section on the rules of the game, in their budget decisions COPs do not actually approve the proposed voluntary Trust Fund estimates and activities but merely note them. Moreover, all Parties are aware that most donors actually make earmarked contributions to finance particular packages of work so that collective arguments about priorities can be rendered irrelevant by the decisions of an individual donor. Indeed COPs who wish to put a strong collective stamp on implementation often include a relatively short and well argued list of priority activities in their voluntary Trust Fund so as to pressure donors into respecting the collective view. Thus there are incentives to avoid the Christmas tree approach.

V. Summary on pooling programmatic resources

A range of options exists for promoting coordination and cooperation on programmatic activities by taking a more coordinated approach to the voluntary Trust Funds. The most radical option of creating a single voluntary Trust Fund feeding the three Conventions could have some attractions to donors and developing countries and, although challenging in terms of governance, could be feasible.

Pooling the operational budgets

54. This is discussed only in relation to a complete merger of the three operational budgets, since a partial merger would throw up the same issues. However, this does not mean that a complete merger is being advocated. A merger of the operational budgets would only be justified if all three COPs were satisfied that it would allow more to be done to support Convention decision-making and implementation with the existing resources. Taking a view on that requires a separate discussion on the scope for joint units dealing with the non-financial cross cutting issues (such as legal matters and IT) as well as the implications of bringing closer together the specialist units dealing with the technical substance of the individual Conventions.
55. It should be noted that in the following discussion the fact that Rotterdam has an FAO component does not make a difference at present since the staff costs are currently paid by FAO itself outside the Convention budget and it is understood that other direct costs are provided from the UNEP administered general Trust Fund. **Rotterdam Secretariat to confirm please.**
56. Achieving any merger would depend on all three COPs being satisfied that the financial burden was fairly distributed and that all had an equal say in decision making on the budget.
57. Distribution of the burden is an issue because the three Conventions have different sets of Parties although the number of States that are Parties to all is growing all the time and the overlap between Stockholm and Basel is now large. A Party that did not belong to all three Conventions would not want to pay the same contribution to a joint operational budget as one that did since the former would not benefit from the work of some specialist units.
58. Other MEAs have found satisfactory means of solving this problem. The Bio-safety Protocol has a more limited membership than its parent the Bio-diversity Convention and the same is true of the Kyoto Protocol and the Climate Change Convention. In both cases some members of the Convention have made it clear that they do not intend to join the Protocol and do not wish to contribute to its finances. In the case of climate there is only one operating budget for the two instruments but, based on a survey of the allocation of staff time, 63.2% of the budget is attributed to the Convention and 37.8% to the Protocol. Different assessment scales both based on the UNGA scale but reflecting the differences in membership are then used to calculate Party's share of one or both components. The budget decision is endorsed by both the COP and the MOP. For biodiversity it was agreed in the Protocol itself that only the costs of staff who worked exclusively for that instrument should be charged to the BSP budget along with other distinct costs. Thus the costs of common activities fall entirely to the Convention.
59. Since there is not a preponderant instrument in the chemicals and wastes cluster and the legal texts do not foresee joint operation, the climate model would appear more relevant to the current exercise. Assuming a completely merged operational budget and on the basis of the currently financed staff numbers, each Convention would contribute in accordance with its share of the total staff. Thus Basel would contribute 34.5% and Stockholm and Rotterdam 32.75% each. NB this calculation is based on financed staff, it would also be possible to base shares on total staff including the staff financed from PSC and FAO. Once the shares were established the host country contributions would need to be deducted from the Stockholm and Rotterdam shares. Then the different scales of assessment would be applied to the different remaining contributions requirements to the budget. Any state that was a Party to all three Conventions would thus be asked for a total assessed contribution that had been calculated from 3 components.
60. While the basis calculation would be somewhat complex (especially, as noted above, if a different minimum share is retained for Basel) it could be computed very easily using excel. Once established it would probably be sensible to keep the calculation fixed over time since assigning new staff posts to a particular Convention and recalculating the shares would defeat the purpose of encouraging joint working. However, it is was felt that the proportion of specialist staff working on only one Convention was growing it would be possible to adjust the shares of contributions.
61. Setting priorities on the use of the operational budget might be easier than for the voluntary programmatic budget. The three COPs might be expected to have similar views about cross-cutting issues and any increases in specialist staff would need to be matched by substantive decisions on technical issues.

VI. Summary on pooling operational resources

The justification for pooling operational resources is partly outside the scope of this paper. However, precedents exist in other MEAs for deciding on fair burden sharing in joint operational budgets and it would be mathematically complex but wholly feasible to do the same for these three Conventions. Agreeing on a common minimum share of contributions would simplify matters a bit.

Governance arrangements

62. All three Conventions would need to be fully and equally involved in any decisions on raising and spending pooled resources. Within each biennium the three COPs would need to receive a jointly agreed budgetary presentation from the Secretariats setting the context for decisions on matters of substance. There would then need to be a budget negotiation during or after the last substantive COP of the round. As explained in JWG.2/13 on back to back meetings this negotiation would take place under the auspices of a joint COP involving any Party from any of the Conventions who wanted to take part since budgets are set by unanimity. The need for unanimity means that there would be no need to assign weights to the different Conventions in the decision-making to reflect their membership size.
63. Such a negotiation could be finalised over two days on two conditions. The Secretariats would have to provide at least as comprehensive information in their presentations as they do now. More importantly states that were Party to more than one Convention would have to undertake prior coordination at home to determine a single position on the overall budget increase and on expenditure priorities.

VII. Summary on governance

If Parties see advantages in pooled resources, arrangements for decision-making about them are possible.

Comparison of the core budget increases and EU share of the major MEAs							
	Latest biennium core budget adopted by COP	Previous biennium core budget	Increase over previous biennium	Contributions to latest core budget	Contributions to previous core budget	Increase over previous biennium	Contributions as proportion of budget
	\$ '000		%	\$ '000	\$ '000	%	%
Basel Convention 2007/08	8,258	8,691	-5	7,773	7,091	10	94
PIC Convention 2007/08	7,066	7,377	-4	4,021	4,470	-10	57
POPs Convention 2008/09	10,871	10,974	-1	7,851	6,699	17	72
TOTAL	26,196	27,043	-3	19,644	18,260	8	75

* Kyoto only entered into force in 2005. Previous biennium figure is based on the Secretariat's pro-rata calculation of a full biennium

** 2006/7 Budget for UNFCCC and Kyoto Protocol are calculated as one but different contributions scales are applied to fixed proportions

*** Budgets for CITES, CMS and Vienna Convention operate on a triennium cycle. A pro rata biennium figure has been calculated to allow comparisons.

**** The size of the Montreal Protocol budget can be amended annually

Comparison of the core budget characteristics of the major MEAs

	Latest biennium core budget adopted by COP \$ '000	Total basic staff No	Financial Rules or periodic Terms of Reference	Budget set in	All Parties contribute	Cost borne by Parties		Working Capital Reserve %	Explicit results-based budgeting	Funding source for dev. country participants' travel	Access to GEF or Montreal Fund
						COP	Subsid. Bodies				
Basel Convention (2007/08)	8,258	20	Rules	\$	✓	✓	✓	15	✓✓	Dedicated fund	✗
PIC Convention 2007/08	7,066	19	Rules	\$	✓	✓	✓	15	✗	Dedicated fund	✗
POPs Convention 2008/09	10,871	18	Rules	\$	✓	✓	✓	8.3	✗	Dedicated fund	✓
TOTAL	26,196	57									

Comparison of the reserves and arrears in core budgets of the major MEAs

	Latest biennium core budget adopted by COP \$ '000	Latest data on Reserves and Fund Balance \$'000	Reserves as a proportion of latest budget %	Latest data on Total Arrears *		
				Cummulative \$'000	as % of	
					reserves %	as % of budget %
Basel Convention 2007/08	8,258	2,228	27	583	26	7
PIC Convention 2007/08	7,066	987	14	264	27	4
POPs Convention 2008/09	10,871	n.a	n.a	206	n.a	2

* Arrears are defined as unpaid pledges for years n -1 and earlier.

Comparison of the staffing of the major MEAs											
	Latest biennium core budget adopted by COP \$ '000	Core budget staff posts excluding those from 13% support cost					Staff costs as % core budget	"Free" posts	Grand Total basic staff		
		Professional	Support	Total	Budget per profess. post \$'000	Budget per post \$'000			No	Budget per post \$'000	posts per \$million core. No
		No	No	No				No			
Basel Convention (2007/08)	8,258	9.17	7.00	16	0	0	55%	4.00	20	409	2
PIC Convention 2007/08	7,066	10.25	5.00	15	0	0	56%	3.50	19	372	3
POPs Convention 2008/09	10,871	9.75	6.00	16	0	0	45%	1.75	18	604	2

Free posts are non core budget posts used for core and administration functions. Except in the case of the Rotterdam Convention where 2.5 posts are provided by FAO on their core budget, these are all posts provided from the 13% Programme Support Costs charged on all core and most supplementary budgets.