

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES
OF WILD FAUNA AND FLORA

Fifty-third meeting of the Standing Committee
Geneva (Switzerland), 27 June-1 July 2005

Strategic and administrative matters

Financial matters

BUDGET CONTAINMENT STRATEGIES

1. This document has been prepared by the Secretariat.
2. In Resolution Conf. 13.1 the Conference of the Parties requests the Standing Committee to develop future containment strategies in the following areas:
 - a) collection of arrears through innovative strategies to help Parties pay their contributions and exploration of measures for dealing with non-payment of contributions, taking into account the measures used in related multilateral instruments;
 - b) consideration of official bids from Governments for the relocation of the Secretariat to a lower cost location; and
 - c) negotiation of reduction in the 13 per cent Programme Support Costs with the Executive Director of UNEP.

Collection of arrears

3. Article XI, paragraph 3 (a), of the Convention authorizes the Conference of the Parties to adopt financial provisions to enable the Secretariat to carry out its duties. The Conference of the Parties, in every Resolution on financing and budgeting of the Secretariat and of meetings of the Conference, has encouraged the Parties to pay their assessed contributions on time.
4. To date, the Secretariat has employed a range of actions to facilitate the collection of contributions. The Secretariat sends requests to all Parties to pay their contributions before the beginning of the calendar year to which they apply. It also sends reminders at least three times a year to the Parties that have fallen into arrears with their contributions. The correspondence on financial issues is copied to the relevant permanent missions in Geneva. The Secretariat also publishes and regularly updates information on the status of contributions to the CITES Trust Fund on the CITES website.
5. The Standing Committee addressed the problem of non-payment of contributions during its several meetings convened in the years 2001-2004. It requested the Parties that were in arrears with their contributions to settle them by the established deadlines. It also requested Parties that might be experiencing difficulties with meeting their financial contributions to propose a plan to provide for the payment of contributions in arrears within a limited period. Furthermore the Standing Committee charged its Chairman, the regional representatives and the Secretary-General to make contacts, through diplomatic channels, with Parties in arrears to urge them to settle their outstanding contributions.
6. The experience gained over the past years suggests that a regular formal review followed by action to persuade Parties in arrears to rectify their situation has been effective. A number of countries either settled their contributions in full or made partial payment. Table 1 below presents the information on the number of Parties with arrears and the unpaid contributions at the end of each of the years 2002, 2003 and 2004. During the past two years the unpaid contributions for 2002 and

prior years were reduced by USD 366,390 and the number of Parties that were in arrears with their contributions for those years was reduced by 41. Similarly, the level of unpaid contributions for the year 2003 has diminished. It was reduced by USD 114,773 and the number of Parties in arrears with their contributions due for 2003 was reduced by 33 during the course of 2004.

Table 1

	As of 31 December 2002	As of 31 December 2003	As of 31 December 2004
Unpaid contributions for 2002 and prior years (USD)	747,220	505,098	380,830
Number of Parties in arrears for 2002 and prior years	81	53	40
Unpaid contributions for 2003 (USD)		342,469	227,736
Number of Parties in arrears with contributions due for 2003		79	46
Unpaid contributions for 2004 (USD)			298,479
Number of Parties in arrears with contributions due for 2004			59

7. In spite of these concerted efforts to encourage Parties to settle their unpaid contributions, there is still a significant number of Parties that remain in arrears with their financial contributions, in some cases for a considerable number of years. Table 2 below shows the number of Parties with arrears and the unpaid contributions for each year as of 31 December 2004.

Table 2

Year	Number of Parties in arrears	Unpaid contributions to the CITES Trust Fund in USD
1992	8	5,328
1993	8	3,317
1994	12	4,860
1995	13	5,257
1996	14	6,620
1997	18	42,685
1998	21	31,989
1999	25	44,914
2000	29	69,303
2001	33	37,016
2002	40	129,541
2003	46	227,736
2004	59	298,479
TOTAL	59	907,045

8. Following a recommendation made by the Standing Committee at its 51st meeting (Bangkok, October 2004), the Secretariat urged all Parties whose contributions were in arrears to pay them before the 14th meeting of the Conference of the Parties and to submit to the Secretariat a payment plan for this purpose by 15 March 2005. Payment plans were considered not only a tool for reducing the amounts due but also a means to demonstrate commitment by Parties to meet their financial obligations under the Convention.
9. By 15 April 2005 only seven Parties out of the 59 Parties concerned responded positively and either settled their unpaid contributions for 2004 and prior years in full (Afghanistan, Belize, the Russian Federation and the Syrian Arab Republic) or made a partial payment (the Islamic Republic of Iran, Nepal and Venezuela) for the total amount of USD 157,874. Chad pledged to pay its unpaid contributions in full by the end of 2008 in three instalments. However there was no response received from the remaining Parties, which implies that the majority of the Parties with their contributions in arrears have not made any commitment to meet their financial obligations within a realistic time-frame. The lack of such commitment may make ineffective all efforts to collect the unpaid contributions to the CITES Trust Fund, especially those due for 2000 and prior years. The Annex to the present document provides information on the outstanding contributions to the CITES Trust Fund for the years 1992-2004 as of 15 April 2005. Parties are grouped by the number of years for which they have not settled their arrears.
10. In spite of late payment or non-payment of contributions to the CITES Trust Fund, the financial liquidity of the CITES Trust Fund has always been maintained owing to the financial reserve and the carry-over balances from previous financial periods. However over recent years the CITES Trust Fund accumulated balance has been systematically reduced to offset the difference between the approved budget (expenditures) and the paid contributions. In the last few years the expenditure rate varied from 98.5 per cent to 99.6 per cent of the approved budget while the average payment rate for contributions due for the current year was 89 per cent only. If this trend continues the accumulated balance of the CITES Trust Fund may no longer be sufficient to cover the approved budget, thus affecting adversely the implementation of the Convention. A shortage of funds will be unavoidable in the future unless contributions are paid in full and in a timely manner.
11. The Standing Committee might wish to consider the experience of other multilateral environmental instruments for dealing with non-payment of contributions. The Secretariat contacted several international organizations and requested them to provide information concerning the practice that is followed by their Parties in order to facilitate the collection of arrears and to deal with non-payment of contributions. In response to this request, five organizations [Convention of Migratory Species of Wild Animals (CMS), Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), the Ozone Secretariat and the International Whaling Commission (IWC)] provided the information related to their procedure concerning non-payment of contributions which can be summarized as follows.
 - a) CMS, CBD, the Ozone Secretariat and UNFCCC do not have formal measures to promote payment within the specified time but nearly all stressed the importance of encouragement by early invoicing, sending reminders and regularly publishing the status of the unpaid contributions. UNFCCC indicated that in its reports Parties are grouped according to the number of years by which they are in arrears.
 - b) IWC applies a 10 per cent penalty interest charge which acts as a deterrent to late payments.
 - c) Two organizations have the mandate to suspend voting rights for Parties who have not paid their dues. IWC suspends the voting rights if a Government's financial contributions have not been received within three months of the due date or by the day before the first day of the next Annual or Special Meeting of the Commission following the due date. The Parties to CMS lose their voting rights if they have been in arrears for three or more years until their arrears have been paid.

- d) One organization (CBD) applies punitive measures for Parties whose contributions due from January 2001 onwards are in arrears for two or more years such as:
- i) Affected Parties may not be represented by more than two delegates at meetings of the Convention's bodies until their arrears have been cleared.
 - ii) Affected Parties that are not least developed countries or Small Island Developing States do not receive funding from the Secretariat to attend meetings of the Convention's bodies until their arrears have been cleared.
 - iii) Affected Parties that are not least developed countries or Small Island Developing States are not eligible to become a member of any bureau of the Conference of the Parties or its subsidiary bodies and do not receive any hard copies of documents from the Secretariat.
- e) Two organizations (CBD, IWC) stressed the importance of mutually agreed 'repayment' plans that allow Parties to clear all outstanding arrears within a limited period of time depending on the financial circumstances of the Parties in arrears. If such plans are agreed and the affected Parties provide a formal undertaking to pay arrears they will regain their voting rights in the case of the IWC or in the case of CBD they will not be subject to the measures mentioned in paragraph d)iii) above.
12. None of the above organizations has mentioned any kind of general debt-relief programme. However it should be noted, that following the recommendations of the United Nations Board of Auditors, there is a possibility to write off doubtful pledges to the Environment Fund of UNEP or UNEP Trust Funds. Pledges to the Environment Fund of UNEP remaining unpaid after four years are written off with the approval of the Governing Council. Pledges to Conventions' Trust Funds may be written off with the approval of the Conference of the Parties in question.
13. In view of the above, the Standing Committee may wish to consider making a recommendation to the Conference of the Parties at its 14th meeting to introduce penalties for the Parties that remain in arrears with their contributions and that do not show a serious commitment in writing to meeting their financial obligations under the Convention before CoP14.

Consideration of official bids

14. At its 50th meeting (Geneva, March 2004) the Standing Committee, in the context of discussions on future budget containment strategies, requested the Secretariat to prepare for its next meeting a cost-benefit analysis based on readily available information for the following locations: Bangkok, Bonn, Geneva, Montreal and Nairobi.
15. At the 51st meeting of the Standing Committee, the Secretariat presented document SC51 Doc. 10.4, in which it provided a comparison of the costs of the Geneva duty station with those of the other locations referred to in paragraph 13 above. In order to carry out that comparison, the following basic elements were considered: legal framework; local facilities and conditions; operating expenses including staff costs; and implications in case of relocation of the Secretariat to another duty station. This document was noted by the Standing Committee.
16. There has been no official bid from any Party for consideration by the Standing Committee.

Negotiation of reduction in the 13 per cent Programme Support Costs

17. The CITES Trust Fund is administered by the Executive Director of UNEP pursuant to the Financial Regulations and Rules of the United Nations. The 13 per cent programme support cost is charged in accordance with General Assembly Resolution 35/217 of 17 December 1980. The rationale behind this provision is to ensure that activities financed from contributions to trust funds do not cause an additional financial burden to the regular budget of the United Nations or, in the case of UNEP, to the Environment Fund.

18. At its 50th meeting, the Standing Committee agreed that the possibility of applying a lower percentage for the programme support costs for the CITES Trust Fund should be discussed by the Chairman of the Standing Committee with the Executive Director of UNEP in the context of discussions on the draft of a revised Memorandum of Understanding between the Executive Director of UNEP and the Standing Committee, taking into account the results of the review of administrative services by the United Nations Office for Internal Oversight Services (OIOS). To date, there have not been any such discussions.

LIST OF PARTIES CATEGORIZED BY THE STATUS OF 1992-2004 CONTRIBUTIONS
TO THE CITES TRUST FUND

Parties not having paid their contributions for 1992-2004

Chad (USD 4,276); Djibouti (USD 3,626); El Salvador (USD 6,852); Gabon (USD 8,565);
Niger (USD 4,364); Somalia (USD 4,276); Sudan (USD 5,279); Togo (USD 3,713)

Parties not having paid their contributions for 1994-2004

Burundi (USD 4,037); Mali (USD 2,948)

Parties not having paid their contributions for 1995-2004

Comoros (USD 2,642); Guinea (USD 4,085)

Parties not having paid their contributions for 1996-2004

Guinea-Bissau (USD 2,104)

Parties not having paid their contributions for 1997-2004

Antigua and Barbuda (USD 1,768); Georgia (USD 20,052); Liberia (USD 1,585)

Parties not having paid their contributions for 1998-2004

Mauritania (USD 1,299); Papua New Guinea (USD 2,275); Yemen (USD 2,751)

Parties not having paid their contributions for 1999-2004

Morocco (USD 9,839), Paraguay (USD 3,343); Uzbekistan (USD 12,158)

Parties not having paid their contributions for 2000-2004

Belarus (USD 15,722); Cote d'Ivoire (USD 1,678); Islamic Republic of Iran (USD 71,919);
Ukraine (USD 28,104)

Parties not having paid their contributions for 2001-2004

Bolivia (USD 1,300); Brazil (USD 293,396); Grenada (USD 184); Saint Vincent and the
Grenadines (USD 184)

Parties not having paid their contributions for 2002-2004

Argentina (USD 137,166); Bangladesh (USD 968); Sao Tome and Principe (USD 139); Sierra
Leone (USD 98); Uruguay (USD 12,158)

Parties not having paid their contributions for 2003-2004

Egypt (USD 7,592); Honduras (USD 261) India (USD 31,966); Nepal (USD 366); Libyan Arab
Jamahiriya (USD 9,166); Nigeria (USD 3,355)

Parties not having paid their contributions for 2004

Cambodia (USD 94); Cuba (USD 1,406); Israel (USD 19,451); Kazakhstan (USD 842);
Myanmar (USD 35); Namibia (328); Saint Lucia (USD 20); Serbia and Montenegro (USD 937);
Seychelles (USD 94); the former Yugoslav Republic of Macedonia (USD 281); Tunisia (USD 1,114);
Venezuela (USD 9,749)