

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

Forty-first meeting of the Standing Committee
Geneva (Switzerland), 8-12 February 1999

FINANCE AND ADMINISTRATION

This document has been prepared by the CITES Secretariat.

1. The various annexes to this report provide information on the financial state of the Secretariat and of the Trust Fund of the Convention for the period 1997-1999.
2. Annex 1 shows the status of contributions to the CITES Trust Fund as at November 1998. Total unpaid contributions totalled CHF 3,065,916 of which only CHF 442,783 were due for 1997 and prior years. The significant reduction this year in unpaid contributions for 1997 and prior years represents a considerable improvement on the status reported in previous years.

The Standing Committee should note that the total unpaid contributions for 1991 & prior years has now been reduced to CHF4,244.98 (refer to Annex I page 8, column B). Since it is unlikely that this relatively small sum will be recovered in the foreseeable future, permission is sought from the Standing Committee to write off the balance of unpaid contributions for this period.

Disappointingly, the total unpaid contributions for 1998 stands currently at CHF 2,623,133. As at 30 November 1998, some 58% of Parties are still to pay their full contributions for 1998 (i.e. 75 States [52% of Parties] are yet to pay anything and 9 States [6% of Parties] have not paid the full amount of their scheduled contributions). Of the 75 Parties that have not paid anything for 1998, there are 35 in Africa, 20 in Central and South America and the Caribbean, 12 in Asia, 5 in Europe, and 3 in Oceania. Of the 9 Parties that have paid partially for 1998, there are 2 in Africa, 2 in Asia, 2 in North America, 2 in Central and South America and the Caribbean. and 1 in Europe.

Only four Parties have paid any or all of their contribution for 1999.

3. Annex 2 provides the accumulated fund balances as at November 1998.
4. Annex 3 provides a copy of the audited accounts of the Trust Fund of the Convention for the biennium 1996 and 1997. The attachment is an extract from the United Nations Environment Programme's 'Financial report and audited financial statements' and the 'Report of the Board of Auditors' for the biennium ended 31 December 1997. This audit report has been certified as correct and in accordance with accounting policies and financial regulations and has been submitted to the General Assembly.
5. Annex 4 provides a preliminary report of expenditures for 1998. It should be noted that this report is based on the Secretariat's accounts as of November 1998 and these are yet to be confirmed by UNEP Headquarters in Nairobi. Therefore, this report is likely to change before the preparation of final accounts occurs at the end of March 1999.
6. Annex 5 refers to the projected expenditures for 1999.

Since COP11 is now scheduled for the year 2000, expenditures related directly to the next COP have been deleted from the approved 1999 Trust Fund budget.

The professional and support staff costs remain as previously approved by COP10 and modified subsequently at the 40th meeting of the Standing Committee. These approved costs include the post adjustments made following the recently completed classification of Secretariat posts required under UN Administrative Instruction ST/AI/1998/9 and staff regulation 2.1.

7. Annex 6 details the additional funds required in 1999 for priority activities. The Standing Committee is requested to consider these activities and decide on the priorities for additional funding.
8. Annex 7 reviews the CITES banking arrangements and presents recommendations for consideration by the Standing Committee.
9. Annex 8 details the new financial controls that are in operation for the CITES project funds.

List of Annexes:

Annex 1	Status of Contributions as at November 1998
Annex 2	Accumulated Fund Balances (Provisional)
Annex 3	Audited Accounts for the Biennium 1996 and 1997
Annex 4	1998 Expenditures (Provisional)
Annex 5	Estimated Financial Requirements for 1999
Annex 6	Additional Funds for Priority Activities (1999)
Annex 7	CITES Banking Arrangements
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Additional Funds for Priority Activities (1999)

1. This proposal has been prepared by the Secretariat in response to the fifth operative paragraph of Resolution Conf. 10.1, which "*Authorizes the Secretariat ... to draw additional funds from the Trust Fund balance at the end of each year, provided that it is not reduced below CHF 2.3 million at the commencement of any year.*"
2. In the sixth operative paragraph, the Conference of the Parties noted the following priorities as having strong support from Parties:
 - a) capacity building (especially for new Parties);
 - b) legislation for CITES implementation; and
 - c) significant trade studies.

Additionally, the Conference of the Parties noted the following activities as having some support from more than one Party:

- d) regional co-ordination;
 - e) enforcement; and
 - f) technical assistance from WCMC.
3. Since the accumulated Trust Fund balance by November of 1998 exceeded CHF 2.3 million by about CHF 1.5 million (refer Annex 2 of this document), the Secretariat has sufficient additional funds available to allocate to additional, high priority activities in 1999. This is of course subject to some possible adjustment since the final balance for 1998 will only be available at the end of March 1999.
4. As instructed in the seventh operative paragraph of Resolution Conf. 10.1, the Secretariat, in association with the Standing Committee, is required "*to establish the priorities for funding the ... work deriving from Resolutions adopted at the 10th meeting of the Conference of the Parties from any available drawdown in the Trust Fund balance...*".
5. Considering the priorities outlined in paragraph 2 above, the Secretariat presents the following proposals for allocating the available CHF 1.5 million, for consideration by the Standing Committee.

Additional Posts:

6. For CITES, as for other Multilateral Environment Agreements (MEAs), there are significant problems with compliance and enforcement of its provisions. The cause of a great many of the problems for CITES is a lack of resources to actually implement the various regulatory mechanisms required under the Convention. To effectively run sophisticated regulatory regimes for controlling trade in CITES-listed species requires substantial administrative, technical and enforcement expertise. In particular there is a need for those in Management Authorities and Customs agencies to be able to discern the difference between the various types of shipments, to know what is and what is not covered by the Convention, and which category they fall in. Staff need to understand the obligations and procedures of CITES, and to be able to make informed judgements about particular proposed shipments. Surprisingly, about 85 per cent of CITES Parties have incomplete or otherwise inadequate legislation for implementing the Convention. Parties without appropriate legislation have no framework to verify the validity of the import, export and re-export documents, or to interdict or seize illegal shipments or to prosecute violators. Greater capacity building is needed in those countries with special difficulties in

implementing CITES and the Secretariat needs to develop the technical programmes (both bilateral and multilateral) that these countries require.

A. Legal and Trade Policy Analyst (P4)

7. The Secretariat requires the services of a legal and trade policy analyst:
- to develop CITES-based 'trade and environment' policy analyses for presentation and discussion at COPs and for consideration by fora such as the OECD and the WTO; and
 - to provide the legislative drafting advice required by the many Parties whose legislation is currently inadequate to implement the requirements of the Convention.

B. Capacity Building Unit

8. Additional capacity building posts are required to facilitate the work of the Secretariat's Capacity Building Unit.

a) Senior Capacity Building Officer (P4)

9. This person will assist with the implementation of all capacity-building-related activities, including:
- setting up the necessary agreements to enhance capacity at the regional level;
 - assisting in the development and provision of 'training for trainers' modules; and
 - developing further the Secretariat's training materials in order to create a compiled training manual and associated training package.

b) Project Officer (P3)

10. This person will assist with all issues related to CITES projects, including:
- assisting Parties in the formulation of projects within a predefined strategy;
 - preparing documentation to present projects to the Standing Committee;
 - converting project proposals into project documents to be presented to donors for possible funding; and
 - co-ordinating project activities with the relevant officers in the Secretariat responsible for project implementation.

c) Research Assistant (G4)

11. This person will assist in compiling and tracking data on projects and capacity building activities and will assist the Secretariat in the development of its information management systems. The assistant will also develop and maintain information for posting on the CITES Web Site and for distribution directly to the Parties. Such information will include the CITES Newsletter, training information, relevant information for the general public and the press as well as information required by the Parties. Once these information systems are developed fully within the Secretariat they will be available for distribution in hard copy or electronic form.

C. Communications/Operations Control Assistant (G4)

12. The Secretariat requires a full-time communications assistant to answer and direct all incoming calls in the Secretariat, to register log and direct all incoming correspondence and to inform and remind responsible officers of follow-up dates and deadlines for responses to specific actions.

New Increased, Budget Lines:

13. New budget line 'SIDS Implementation'. In order to fulfil the requirements of Decision 10.112, regarding small island developing States (SIDS) the Secretariat requests approval to allocate CHF 56,000 to be used as 'seed funds' in order to organize meetings for SIDS in Oceania and the Caribbean. Results of these consultation meetings as well as the associated action plans will be reported to COP 11.
14. New budget line 'Assistance to Scientific Authorities'. In its last but one paragraph, Resolution Conf. 10.3, 'Designation and Role of the Scientific Authorities', encourages the Parties, the Secretariat and interested non-governmental organizations to develop and support workshops/seminars designed specifically to improve the implementation of CITES by Scientific Authorities. In response to this encouragement, IUCN, with financial support from the United States Fish and Wildlife Service and WWF Hong Kong, organized a workshop on "the Development of Guidance on the Making of CITES Non-detriment Findings". This workshop took place in Hong Kong from 16 to 18 October 1998 (the report of this workshop will be available as an information document to the members of the Standing Committee). The outcome of this workshop is only the first step in the process. The Secretariat would like to convene a second workshop to be held in the first part of 1999 in order to develop further the guidelines for the making of non-detriment findings. Following the second workshop, a manual, using the information developed at the workshops, should be prepared for distribution to Scientific Authorities. The writing of such a manual, in particular taking into account possible differences regarding particular groups of fauna and flora, will require the assistance of a qualified consultant for a period between four and six months. In order to progress this important initiative, the Secretariat requests that a new budget line be established totalling CHF 112,000 (i.e. CHF 42,000 for the second workshop and CHF 70,000 for the consultancy).
15. New Budget Line 'Technical and Political Missions to Tiger Range and Consumer States'. Decision 10.66 b) directs the Standing Committee to undertake technical and political missions to tiger range and consumer States to assist in developing strategies for improving control of tiger trade and related activities. The Chairman of the Standing Committee has requested that a technical team of three persons visit a total of thirteen countries in 1999. Political missions will later visit some of the same countries but the full extent of those missions has yet to be decided. The Secretariat estimates that travel, accommodation and related expenses for the technical team will involve the expenditure of CHF 150,000 to enable this work to be carried out.
16. New Budget Line 'Preparation and Production of CITES Newsletter'. Decision 10.104, directed the Secretariat to produce a twice-yearly desk-top-published newsletter. The initial issue of 'CITES World' was distributed during August 1998 and the second issue in December 1998. The Secretariat requests that a new budget be established totalling CHF23,000 to facilitate the production of the newsletter in 1999.

Trust Fund for the Convention on International Trade in Endangered Species
of Wild Fauna and Flora

ADDITIONAL BUDGET ITEMS FOR 1999
(in Swiss francs)

New budget lines

Budget Line	Description	Average Cost per Year
1115	Legal and trade policy analyst (P4)	190,000
1116	Senior Capacity Building Officer (P4)	190,000
1117	Project Officer (P3)	175,000
1206	Assistance to Scientific Authorities	70,000
1311	Research Assistant (G4)	120,000
1312	Communications/Operations Control Assistant (G4)	120,000
3306	SIDS Implementation	56,000
3307	Non-detriment Workshop	42,000
5205	Newsletter	23,000
2116	Tiger Mission (Technical)	150,000
TOTAL		1,136,000

Members of the Standing Committee may wish to note that there can be no guarantee whatsoever that any staff contracts approved in this context could be prolonged beyond a 12 month period.

CITES Banking Arrangements

1. At the 10th meeting of the Conference of the Parties, the Secretariat and UNEP were asked to explore, under UN rules, higher yield investments for the CITES Trust Fund bank accounts.
2. Currently, the CITES Trust Fund bank accounts are maintained in Geneva. Both Swiss francs and US dollar currency accounts are maintained in Geneva.
3. The Parties have been given the option to send their annual contributions in Swiss francs or in US dollars. These contributions are sent either to the UNEP Trust Fund account in New York, or in most instances, directly to the CITES bank accounts in Geneva.
4. With most of the contributions being received in Swiss francs, CITES has invested mostly in this currency. However, the Swiss currency accounts generate low interest rates, namely, approximately 1 per cent per annum. CITES also makes investments in US dollars, although in a smaller amount, which provides a return of about 4 per cent per annum.
5. Since 1996, significantly higher interest income has been earned on the funds invested (refer to Annex 2, 'Interest Income' column). We are continuing to explore the investment market to be able to generate the best possible returns for the funds invested, but always on a low-risk basis.
6. The Secretariat would welcome advice from the Standing Committee on whether it would be appropriate to request the Parties to pay their contributions in US dollars where possible.

New Financial Controls for CITES Project Funds

1. In his letter to members of the Standing Committee, dated 26 August 1998, the Chairman outlined the problems of inadequate accountability, supervision and reporting that had characterized the past management of project funds in the Secretariat. The Chairman stated that a report on the newly established financial controls in the Secretariat would be presented to the Standing Committee, at its 41st meeting.
2. In 1997, as part of its functional review of the Secretariat, the Secretariat uncovered serious accountability problems in the financial and administrative management of CITES projects. Considerable effort was expended to ensure that final reports for completed projects were received from consultants and that final financial reports were prepared and distributed to donors. As a direct result of the problems uncovered, new reporting and financial control procedures were established immediately by the Secretariat and a special audit of past CITES projects was requested.
3. An audit of past CITES projects was requested by the Secretariat and conducted by the United Nations Office of Internal Oversight Services (OIOS) in June 1998. The audit confirmed that, for some past projects, UN rules and procedures had not been followed. In summary, the auditors indicated that, for the financial aspects of CITES projects, there is a need to clarify the respective roles of the Executive Director of UNEP and the different financial and administrative units in UNEP. Importantly, the auditors recommended that an integrated accounting and management information system be implemented within the CITES Secretariat.
4. The Secretariat has proceeded to implement the recommendations of the auditors.
5. A new financial tool for budget administration and control (the Nexus System) was introduced and installed in June 1998. This UNEP Integrated Accounting and Budgeting System (IABS) facilitates the preparation of obligation documents and, at the same time, keeps track of expenditures for each of the CITES projects. This facilitates ease of reference whenever information is needed for reporting purposes.
6. The system was designed to be a cost effective management tool in a user-friendly format. Important features of the new system include:
 - The ability to track accurately the balance available for projects by budget line, as well as providing information on the kinds of obligations or payments that have taken place;
 - The possibility for users of the system to access all accounting and budgeting information when necessary;
 - Facilitation of better management of project commitments and expenditures, and better reporting;
 - Simplification of the preparation of obligation documents and payments and the automatic recording of data, thereby, reducing the occurrence of errors in the records; and
 - Saving costs in the printing and the filling out of hard-copy forms needed in the processing of obligation documents and payment vouchers. All these forms can now be printed from the computer following data entry.

