

Summary Report of the Budget Committee meeting

Chairman:	K. Stansell (United States of America)
Secretariat:	J. Armstrong M. Jankowska
UNEP:	B. Bendahmane E. Ortega
Rapporteur:	G. Furness

Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

The Chairman apologized for holding an evening session, but said he felt that it was imperative to begin consideration of the budget early because there were important decisions the Committee would have to make, especially regarding 2001 and 2002. Additionally, there was a shortage of interpreters, and, as it had been agreed at the 10th meeting of the Conference of the Parties that the Budget Committee would meet in interpreted sessions, this was the only time available. He also noted that under the new Rules of Procedure, the Budget Committee was now a Committee of the Conference of the Parties and its decisions would be reported directly to the plenary session and not through Committee II.

The delegation of Canada suggested the Committee go ahead and review documents Doc. 11.10.1 (Rev. 1) and Doc. 11.10.2. However, the delegations of France and Spain said they felt that the meeting should be postponed until 14 April because not all delegations were aware of the meeting and some did not have the necessary documents or had not had time to peruse them and the delegation of the Russian Federation noted that the room was not really well-equipped. The Chairman said he understood these concerns, but hoped to have an informal, informative, general discussion so as to clarify the preliminary reaction of the Committee to the proposed budget and permit consultations with the Secretariat. He had also asked for additional time for the Committee to meet during the second week of the present meeting. On this basis, the Committee agreed to continue the session.

Documents to be considered by the Committee were Financial Report for 1997, 1998 and 1999 – Doc. 11.10.1 (Rev. 1) –; Estimated expenditures for 2000 – Doc. 11.10.2 –; Budget for 2001-2002 and medium-term plan for 2001-2005 – Doc. 11.10.3 (Rev. 1) –; External funding – Doc. 11.10.4.

3. Budget for 2001-2002 and medium-term plan for 2001-2005

The Chairman stated that, so long as the Committee concurred, he would like to focus the initial session on the most important document before the Committee: document Doc. 11.10.3 (Rev. 1), especially the Budget for 2001-2002. The 10th meeting of the Conference of the Parties had approved in Conf. 10.1 an 8.66 per cent increase over the previous triennium budget for 1998-2000, 5 per cent from increased contributions by the Parties and 3.66 per cent drawn down from the balance in the Trust Fund. In doing so, the Parties had agreed to use carry-over reserve funds to finance the basic operations of the Secretariat as long as a balance of at least CHF 2.3 million was available for the beginning of each year's operations. The Parties also authorized the use of drawdown funds for priority activities, which the Standing Committee allocated. The proposed budget reflected the process agreed to at the 10th meeting of the Conference of the Parties. The Secretariat

confirmed to the delegation of New Zealand that the seven new positions approved by the Standing Committee would be financed by this process for the 2001-2002 period.

Introducing the document, the Secretariat noted that, despite the fact that the Trust Fund had maintained a reserve of over CHF 3 million for several years, under UN procedures they could not undertake operations during a given year until they had the full amount in the Trust Fund. Many Parties made their contributions late in the year, even in December rather than January. This was why the 10th meeting of the Conference of the Parties had agreed to the drawdown. The Secretariat again noted that much of the increase in the proposed budget was due to the seven new staff posts approved by the Standing Committee at its 40th and 42nd meetings, and these were to be funded from the draw down.

The Secretariat pointed out that the medium-term plan included a biennium and then a triennium because the next meeting of the Conference of the Parties was intended to be held in 2002. Thus the 2001-2002 biennium was the focus of the present meeting. As stated in paragraph 4 of the document, the grand total of the biennium budget (CHF 19,681,000) was higher than the CHF 15,047,013 agreed to at the 10th meeting of the Conference of the Parties. Much of the increase was associated with the seven new positions and would require a drawdown of about CHF 3 million; these costs however would not require an increase in Party contributions to the Trust Fund.

Nevertheless, annual contributions sought from the Parties for the biennium would amount to CHF 8,501,500, a 13 per cent increase over the medium-term plan agreed to at the 10th meeting of the Conference of the Parties. This increase was due to a number of factors described in paragraph 7 and Annex 1b of the document, namely:

- the ever-growing number of Parties and the fact that the new ones were all developing countries which needed greater assistance to achieve effective implementation of CITES, participation in meetings and better communications;
- the need to implement 144 current Decisions, which had very serious financial implications;
- the increased costs of maintaining the Secretariat as a result of obligatory changes in the UN salary scale (generally a 5 per cent annual increase);
- increased maintenance costs;
- the need for three additional posts to meet the above needs, including an additional Regional Assistance Officer, an Information Management Officer, and a Communications/Operations Control Assistant;
- servicing the CITES website;
- assistance to Scientific Authorities on development of guidelines for making non-detriment findings;
- group training; and
- requests from the Plants and Animals Committees for increased funding.

When asked, the Secretariat advised that two of the three new positions being requested had previously been considered, but not approved, by the Standing Committee.

The Secretariat confirmed that there would likely be only CHF 6-700,000 left in the balance of the Trust Fund by 2003 if these and other additional expenses were approved, and the Chairman noted that as a result there could well be a problem in continuing operations at the beginning of 2003. A substantial increase, as much as 35 per cent, in Party contributions might be required if the budget were to be maintained at the recommended level. The delegation of New Zealand asked for confirmation as to whether the financial implications of decisions under consideration at the present meeting of the Conference of

the Parties had been taken into account and the Secretariat advised that this had been taken into account in the proposed budget wherever possible. They added that many new programmes of work proposed by Parties had budgetary implications for which the proponents were supposed to indicate costs and sources of funding but often did not. The seven new posts would especially be required, if the obligations of the new Strategic Plan were accepted by the present meeting of the Conference of the Parties. The Secretariat did note that the accumulated balance in the Trust Fund had continued to rise since 1997, as noted in Annex 4 to document Doc. 1.10.1 (Rev.1).

The Chairman asked for comments from the floor on the budget for 2001 and 2002. In response to a query from the delegation of the United States of America as to why the 10th meeting of the Conference of the Parties had decided that a minimum balance of CHF 2.3 million should be retained, the Secretariat said that this was the amount needed to cover salaries at the beginning of a year. They also noted in response to a query by the delegation of New Zealand as to why the balance could drop to as low as CHF 6-700,000, that generally about 10 per cent of Parties did not pay their contributions. They confirmed to the delegation of Switzerland that UNEP only levied its 13 per cent charge on expenditures, not receipts. The delegation of the United States of America noted that they would be uncomfortable with a drawdown to below the CHF 2 million level.

The delegation of the United States of America stated that while they were profoundly sympathetic to the problems the Secretariat had in meeting the ever-increasing demands of the Parties, they could not commit themselves to the sizeable increase requested. The UN budget was based on zero growth, for example, and it was unrealistic to expect that the CITES budget would be treated differently. The United States of America could not make a commitment to providing a specific amount of funds in a future year; the delegation believing that growth in the budget should be less than 15 per cent and that the amount of the draw down should be reduced.

The delegation of the Russian Federation asked about the amount added for cost of living increases, given that Switzerland had an annual inflation of 0.6 per cent. The Secretariat noted that while the UN normally factored in 5 per cent, the Secretariat had pared it down to 1 per cent. The 13 per cent increase was for the substantial increase in the programme of work, over the estimated costs of the existing programme.

A discussion ensued, in which the delegations of Australia, Canada, Germany, Japan, New Zealand, Switzerland and the United Kingdom, the Secretariat and the Chairman participated. The delegations stated that it would be very difficult to accept the proposed increases, especially if substantially increased contributions to the Trust Fund were required as well as a significant reduction in the balance of the Trust Fund. The increase in contributions required by 2003 could be as much as 56 per cent and they wondered if the increased positions added by the Standing Committee and proposed by the Secretariat were really necessary.

The Chairman then pointed out that the Committee needed to know what the Parties really wanted. If the new strategic plan was accepted, the Committee had to decide what could be done without. The Secretariat was trying to follow the priorities laid down by the Parties, and they needed to indicate where they would accept reductions. He asked the Secretariat to produce a draft document showing how new proposals at the present meeting of the Conference of the Parties would add to costs if accepted. The Secretariat pointed out that it was very difficult to attract quality personnel to one-year contractual positions and they should be made more permanent.

The delegation of the United States of America stated that focusing on the future could not be put off. Ways of reducing the annual discrepancy between allocated and expended funds should be examined. They wondered whether the decision of the 10th meeting of the Conference of the Parties should be reversed, and the drawdown used only for one-time projects, not permanent positions. The delegation of the Russian Federation agreed. The Secretariat said they could identify project-type programmes and calculate the drawdown

needed. They also indicated to the delegation of Canada that the final page of document Doc. 11.9.2 contained the organigram that showed which staff positions were now vacant.

The Chairman asked the Secretariat to develop alternative budget proposals based on the points raised and closed the session at 20h25.

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Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

The Chairman welcomed the participants to the first formal session of the Committee, noting that an informal session had been held on 11 April in the evening to facilitate consideration of document Doc. 11.10.3 (Rev. 1), particularly the proposed budget for 2001-2002. The decision in Resolution Conf. 10.1 to draw down the balance in the Trust Fund to support base funding of the Secretariat had impacts on that budget and potentially on the medium-term plan through 2005. The Chairman asked that corrections to the minutes of the session (Fin. 11.1) be provided at the end of the current session and noted that a Secretariat document on alternative scenarios for the 2001-2002 budget would be distributed.

After reiterating his comments in the previous session on the enhanced status of the Budget Committee and listing again the documents directly related to Agenda item 10, the Chairman noted that several other documents had been referred to the Committee for consideration of their budgetary implications. Currently, these documents included documents Doc. 11.9.2 – Staffing of the Secretariat, Doc. 11.40 – Assistance to Scientific Authorities, Doc. 11.13 – Terms of Reference of permanent Committees, and Com. 11.1, related to the latter subject. He reiterated the importance of document Doc. 11.10.3 (Rev. 1), urging the Committee to avoid paring down budget proposals while at the same time adding more tasks and giving the Secretariat an impossible workload.

Given the fiscal reality of the current budget situation, the Chairman stated that the Committee had the duty to examine the proposals, look for consensus, and recommend priorities if cuts had to be made. Most importantly, the Committee had to recommend an overall budget limit within which the Secretariat must work. He suggested that the Committee review the other documents first, and then take up document Doc. 11.10.3 (Rev. 1). He also noted that Committee deliberations might have to extend into the second week of the meeting, especially if decisions taken in other Committees had financial implications.

4. External Funding

The Secretariat introduced document Doc. 11.4 and referred to Table 1 that listed 21 donors who had provided a total of CHF 2,387,588 between 1997 and 1999. Japan had been the largest, followed by the United Kingdom and the United States of America. External funding contributions had been important for bringing participants to the present meeting (210 participants), species projects, training, implementation and enforcement. The document provided information on how funding was used, how regional distribution was balanced, where there were problems in execution, projects for which funding was sought and projects conditionally approved. Approved projects that did not attract donors were

automatically cancelled after three years. The Standing Committee may require conditions, and if the Party involved did not reply or resolve the issue within one year, the project was cancelled.

The delegation of Japan stated that Japan had eagerly supported many projects; some of the funds were still unspent to be earmarked in future, and owing to the difficult financial situation in Japan, it would not be able to continue the same amount of donations as previously. The delegation of the United Kingdom reported that although they were pleased to support projects, they were concerned with the 13 per cent overhead UNEP intended to charge on voluntary external funding and stated that this would have a negative effect on future voluntary contributions. The Chairman noted that this was under discussion with UNEP.

The observer from the Conservation Treaty Support Fund (CTSF) reported that about USD 26,500 had been provided directly to project S-09 – Rehabilitation and reintroduction of Cape pangolins confiscated from traders in Namibia – which had important value for other subspecies of pangolins and other species being rehabilitated and reintroduced. Funding was also available to get project S-104 – Assessment of the swamp crocodile populations in the Biosphere Reserve of Central Wetlands, Tabasco, Mexico – underway, as the budget had been reduced and the project could tie into another neighbouring crocodile project. There were possibly other projects that CTSF had directly funded, and they would undertake to notify the Secretariat.

The Chairman felt it was very important not to ignore external funding contributions, especially with the adoption of the Strategic Vision. The approval process and removal of projects that did not receive funding might have to be expedited, in order to keep the list as current and correct as possible. There being no further comment, the Chairman declared the document approved.

1. Financial Report for 1997, 1998 and 1999

Introducing document Doc. 11.10.1 (Rev.1), the Secretariat noted they had spent 89 per cent of the approved budget in 1997 and 80 per cent in 1998 and 1999. The reductions in 1998 expenditures were mainly in staff salaries, subcontracts, communications and modifications decided by SC40; in 1999, staff salaries, subcontracts and training seminars were significantly below budget. They thanked the Parties for providing nearly 90 per cent of assessed contributions in 1999, as shown in Annex 3, and noted that Annex 4 showed a provisional accumulated balance in the Trust Fund of CHF 4,793,808 at the end of 1999, also accounted for by a much higher return on investments. Annex 5 projected a deficit for 2000, but only because it did not factor in contributions to the Trust Fund during the year.

After the Chairman congratulated the Parties on the 90 per cent contribution rate and the Secretariat on improved investment receipts, a lengthy discussion and series of clarifications by the Secretariat ensued, generally regarding Annex 2 (1999 expenditures). The Secretariat indicated to the delegation of Japan that staff salaries in budget line 11 were lower than the approved budget because of the recruiting process required by UNEP to fill the existing vacancies for unit heads and delays in staff appointments. The delegation of the United States of America supported by the delegation of New Zealand suggested footnoting significant discrepancies and the Secretariat agreed this could be done. The delegation of New Zealand proposed that a 20 per cent difference between the budget and the expenditure should be considered as a significant discrepancy for these purposes. The Secretariat clarified for the delegation of New Zealand that the increase in document translation costs from CHF 16,667 to CHF 119,143 was caused by a heavy load from Standing Committee meetings, matters related to elephants, preparations for the present meeting and the Strategic Plan working group. The delegations of Germany and the United Kingdom expressed concern about inaccurate budget estimates; the Secretariat noted that the discrepancies were much less than in earlier years, when they were often 40 per cent. It had discretionary power to transfer between budget lines up to 20 per cent, above which it had to consult with the Standing Committee and UNEP.

The Secretariat indicated to the delegation of Canada that funding budgeted for significant trade studies had been transferred to training. There were not as many plant studies as anticipated, external funding had paid for some and others had been delayed until this year. The delegation of Austria and others expressed concern about the deficit figure as of 31 December 1999 in Annex 5, and the delegation of the United Kingdom suggested that this could be footnoted to indicate that anticipated contributions in 2000 were not included. Based on this and the agreement to footnote significant over- or underspending, the Chairman declared the document approved.

2. Estimated expenditures for 2000

The Secretariat introduced document Doc. 11.10.2 referring to paragraph 2 which pointed out that the priorities and means of implementing some of the activities of the Secretariat had changed since the budget was adopted at the 10th meeting of the Conference of the Parties in June 1997. This had led to the need for the updated budget schedule shown in the Annex. For example, the present meeting had had to be shifted from 1999 to 2000. The modifications were approved by the Standing Committee. The seven new posts approved by the Standing Committee would be funded by drawing from the Trust Fund balance.

The Secretariat responded as follows to various questions posed by delegations and the observer from the IWMC. The budget line for Standing Committee meetings had been reduced because the only meetings expected were in conjunction with the present meeting. Some of the increase in remuneration of staff was occasioned by the seven new posts. Current vacancies were shown in the organigram in document Doc. 11.9.2. CHF 1.9 million of the estimated CHF 8,833,210 in expenditures would be drawn down from the Trust Fund balance, provided the document was accepted. Priority was being given to legislative assistance to Small Island Developing States (SIDS), especially in the Caribbean. Income for 2000 would hopefully be CHF 6.3 million, including current and previous year contributions. Anything related to compensation of the previous Secretary-General would be drawn from the professional staff budget line. The Secretariat indicated to Japan that although this Budget Committee would consider budgetary implications for 2001 and the following years in the documents, the Committee would not revisit document Doc. 11.10.2 which addressed the budget for 2000. Concluding the discussion the Chairman declared the document accepted.

9. Reports of the Secretariat

2. Staffing of the Secretariat

The Chairman took up document Doc.11.9.2 because some delegations had not brought the other documents that he had wanted to consider during the session. The Secretariat pointed out that justification for the posts was contained in Annex 1. The seven new posts, one of which had not been filled, would be funded from the surplus draw down. Three additional posts – a Communications/Operations Control Assistant, an Information Management Officer and a Regional Assistance Officer – were requested, to be paid out of the Trust Fund.

In response to queries by the delegations of Canada and New Zealand, the Secretariat stated that most contracts were for one year unless funding was available for a longer period, in which case two years was preferred. The Standing Committee had discussed but not approved the Communications/Operations Control Assistant and the Regional Assistance Officer, there being less interest in the former although there were constant complaints about communications with the Secretariat. One of the seven new positions was a Regional Assistance Officer for Francophone Africa, and there was more interest in having an additional position for Asia or Central and South America and the Caribbean. However the Standing Committee had not wanted to commit to more than seven new posts. The Secretariat reported they were seeking professional experts to fill the new positions, in view of the burdens imposed by Resolutions, and the fact that certain officers had to spend 30 per cent of their time on regional and 70 per cent on professional work. They indicated that

justification for the Information Management Officer was contained in paragraphs 3-6 of document Doc. 11.10.3 (Rev. 1).

Concluding the meeting, the Chairman said that in preparing for the afternoon session, delegations should review the discussions of the first (evening) session, the precedent established at the 10th meeting of the Conference of the Parties of drawing down the carry-over from the balance of the Trust Fund for base operations of the Secretariat but never bringing it below CHF 2.3 million and the request for increased Party contributions. An information document providing alternative 2001-2002 scenarios was distributed and the session ended at 12h00.

Chairman:	K. Stansell (United States of America)
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Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

The Chairman introduced an information document entitled "Various budget scenarios," covering the biennium 2001-2002, based on the figures provided in document Doc. 11.10.3 (Rev. 1) Annex 1a. It presented scenarios as follows:

Scenario 1 showed the budget for 2001-2002 as approved at the 10th meeting of the Conference of the Parties, but not reflecting the cost of the seven new posts approved by the Standing Committee - CHF 1,339,000 per annum.

Scenario 2 showed the budget as approved at the 10th meeting of the Conference of the Parties including the costs of the seven new posts.

Scenario 3 covered all requirements inclusive of the priority activities as approved at the 10th meeting of the Conference of the Parties and the subsequent decisions of the Standing Committee.

The current level of annual contributions to the CITES Trust Fund could fully fund any of the scenarios. The additional funds would have to be drawn down from the accumulated Trust Fund balance if the contributions to the Trust Fund were not increased in 2001 and 2002. And, assuming that the Trust Fund balance should not be reduced below CHF 1 million at the beginning of each year, some of the budget items (shown on an attached list) could not be covered owing to lack of funding.

The document also showed the level of additional funding which could be generated in 2001-2002 by increases in contributions of 5 per cent, 10 per cent and 15 per cent per annum.

The document generated a lengthy discussion that indicated that many delegations could not understand the alternative scenarios. The delegations of Australia, Germany, Japan, New Zealand, Switzerland, the United Kingdom and the United States of America all had queries and concerns, expressed as follows:

The differences between the scenarios were hard to separate. It was difficult to make out what projects would be cut out in one or the other scenarios. It was premature to look at projected cuts when expenditures had been 20 per cent below budget. What were the projections for the following triennium if one of the 2001-2002 scenarios were followed? Several delegations requested a line-by-line approach. Concern was also expressed about what the balance in the Trust Fund would be at the beginning of 2003 and the changing levels of surpluses. What were

the implications of not funding certain items indicated in the list attached to the information document? Why were the seven new posts added when sufficient future funding had not been allocated?

In response, the Chairman and the Secretariat stated that the information document had been developed in response to opinions expressed at the first session of the Committee. The budget for 2001-2002 presented in document Doc. 11.10.3 (Rev. 1) was a 13 per cent increase over the budget estimate provided to the 10th meeting of the Conference of the Parties, not including the seven new posts added with the approval of the Standing Committee. The medium-term plan approved at the 10th meeting of the Conference of the Parties covered 5 years, 1998-2002, but the level of contributions of CHF 6.3 million per annum only applied to 1998-2000. The work plan approved for 2001-2002 clearly assumed a higher level of contributions, as indicated in Annex 2 to document Doc. 11.10.3 (Rev. 1). The significant increase in work items and retaining at least CHF 1 million in the Trust Fund clearly required an increase in contributions in 2001-2002. The Secretariat believed the Parties had debated and agreed to a 19 per cent increase for the 2001-2002 work plan at the 10th meeting of the Conference of the Parties. The delegation of Japan expressed a concern regarding the Secretariat's interpretation of Resolution Conf. 10.1 that at its 11th meeting, the Conference of the Parties should have the opportunity to review it taking into account the Secretariat's report on the financial situation after CoP10. The Secretariat agreed that clarification of the commitment of the Parties to this decision was needed.

The Chairman noted that the buffer provided by the Trust Fund carry-over balance could drop below the level needed to continue operations in 2003 unless contributions were increased. With regard to the seven new positions, the Secretariat felt that it had been told by the Parties to proceed and expect more funding. At the end of 2002 there would probably be only CHF 600,000 left in the Trust Fund balance, not enough to continue operations under UN rules.

The discussion clearly indicated continuing confusion about the alternative scenarios in the information document, and the delegations of Japan, New Zealand, Switzerland and the United States of America expressed the view that another approach was needed. The delegation of New Zealand proposed that the Committee return to consideration of the original budget as proposed in document Doc. 11.10.3 (Rev. 1). The Chairman and Secretariat agreed, noting that the discussion seemed to be going round in circles and that the implications for the next meeting of the Conference of the Parties would also have to be factored in. Would the minimum carry-over level of CHF 2.3 million, agreed at the 10th meeting of the Conference of the Parties, be maintained? Would the contribution levels be increased?

The delegation of Japan suggested that the seven new posts be covered by drawdowns from the surplus, given the previous record of underspending. The delegations of Switzerland and the United States of America suggested funding only some of the seven new posts from the drawdown, and the delegation of New Zealand, supported by the delegation of the United States of America, suggested the limit on the drawdown be reduced to CHF 1.5 million. This was agreed. The delegation of the United Kingdom suggested looking at a 20 per cent across the board cut, except for personnel. This too was agreed.

In view of the confusion arising out of the scenario approach, the Secretariat suggested that it could provide information on the impact of a reduction in the programme on certain projects which still might obtain external funding. The Chairman agreed and noted that the Parties could then indicate priorities. The delegation of the United States of America thought certain categories that were usually underspent could be reduced by more than the suggested 20 per cent to allow the Secretariat some flexibility if it believed that others should only be reduced by 15 per cent. The Chairman asked the Secretariat to provide the information it had suggested about discrete projects and also provide information on the effects of other suggestions mentioned during the meeting, at the next session. He adjourned the session at 16h00.

Chairman:	K. Stansell (United States of America)
Secretariat:	J. Armstrong M. Jankowska
UNEP:	E. Ortega
Rapporteurs:	M. Jenkins C. Lippai

The Chairman noted that three delegations had submitted changes to document Fin. 11.1 and stated that these would be incorporated into the Proceedings of the meeting.

Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

3. Budget for 2001-2002 and medium-term plan for 2001-2005

The Chairman opened discussion by noting that some of the draft decisions of the present meeting had major financial implications and advised Parties to take note of these when considering the proposed budget.

Following requests from the previous sessions of the Committee, the Secretariat had produced a new scenario for the period 2001-2002. This was circulated as an informal document. Under the new scenario, all new items included in the original proposed budget estimates for 2001-2002 in document Doc. 11.10.3 (Rev. 1) had been removed and a 20 per cent cut had then been imposed on all remaining items except personnel costs. As requested by the Committee at its previous sessions, half of the cost of the seven new posts approved by the Standing Committee had been included in the budget of the new scenario, with the other half included in the drawdown from the Trust Fund Reserve. It was emphasised that the new scenario did not include the three new posts additional to the seven approved by the Standing Committee. In response to a question from the delegation of Switzerland, the Secretariat stated that they had not included in the new scenario any amount that might accrue as interest from the Trust Fund Balance (this amount was around CHF 270,000 in 1999) but had included contributions from new Parties.

The Secretariat had then scrutinized the new scenario budget and identified what they considered to be priority budget lines. They had grouped these under three headings: CoP/Standing Committee; Activities; and Operation of the Secretariat. They presented in the document, under the heading 'Reduced budget items', the shortfalls resulting from the 20 per cent cut by budget line for these for 2001 and 2002, along with the entire budget allocations for the three new activities approved by the Standing Committee since the 10th meeting of the Conference of the Parties (Assistance to Scientific Authorities, Criteria Working Group and Newsletter). The Secretariat further explained that they had left out of this listing all existing budget lines that had been underspent historically.

The Chairman then noted that it was the task of the Committee to decide what to do with these items and asked if the shortfalls should be funded with money from other sources, with drawdown from the Trust Fund Balance, or not funded.

Several delegations expressed their appreciation to the Secretariat for producing the new scenario so quickly and sought clarification on various points. Some pointed out that some budget lines, such as travel to staff seminars, included in the list of 'Reduced budget items', had in fact been underspent in some recent years.

The delegation of Japan asked for clarification as to why the total cost of the seven new posts for the biennium 2001-2002 appeared to differ in the informal document (CHF 3,026,140, i.e. twice the amount of the 3.5 post-equivalents to be funded by the drawdown as noted at the bottom of page 2) from that in document Doc. 11.10.3 (Rev.1) (CHF 2,678,000). The Secretariat explained that the former included the 13 per cent administrative charge while the latter did not as it was included in the budget line for overall administration costs.

The delegation of Japan further wished to know how the figure of CHF 4 million for the projected Trust Fund balance as of 1 January 2001 had been arrived at. The Secretariat explained that the balance of the Trust Fund going into 2000 was CHF 4,738,808. Outstanding contributions from Parties for 1999 and earlier years amounted to CHF 1,305,000. Contributions from Parties for 2000 would amount to CHF 6,300,000, giving projected resources of approximately CHF 12,400,000 for 2000. With the tightening of expenditure for 2000, total out-goings should amount to CHF 8,475,000, leaving a projected balance of CHF 3,933,003 going into 2001. This had been rounded to CHF 4 million.

In response to an observation from the observer from IWMC –World Conservation Trust, that the budget as approved must cover all costs, the Chairman noted that the Committee's job was to agree a bottom-line budget and then determine how much of this should be financed with Parties' contributions and how much with drawdown from the Trust Fund Reserve.

The Chairman observed that if the Trust Fund reserve were to be maintained at CHF 1.5 million throughout the biennium 2001-2002, then the new scenario would leave drawdown funds of CHF 986,930 available in the biennium 2001-2002. In response to questions about the increased contributions by Parties he confirmed that the new scenario entailed an increase in 2001 of around 10 per cent above the 2000 contributions and in 2002 of around 15 per cent of the 2000 contribution. The delegation of Austria noted that under the new scenario, the projected 2001 budget of around CHF 6.9 million was essentially the same as expenditure in 1999 and wondered why therefore a 10 per cent increase in contributions was required. The Chairman explained that the contributions for 1999 amounted to around CHF 6.3 million and that the remainder had been obtained through a very strong effort to collect back-contributions. However, the full CHF 6.9 million for 2001 would have to be met by Parties' contributions under the new scenario.

Attention then turned to the question of priorities amongst the list of 'Reduced budget items' in the new scenario. The delegation of Colombia noted that it showed serious deficits for activities they considered important, such as the Criteria Working Group. The observer from TRAFFIC also stressed the importance of these activities. The delegation of the United States of America observed that as only CHF 65,000 had been spent on assistance to Scientific Authorities during 1999 it might be possible to reduce the amount allocated to it from the CHF 150,000 budgeted.

The observer from World Conservation Monitoring Centre (WCMC) drew attention to the items entitled trade monitoring and technical support (WCMC), CITES website, CITES Listserver and CITES Checklist and Annotated Appendices. They noted that the current budget for these did not adequately reflect the costs of maintaining the data that supported these activities, nor did it take into account the increased level of reporting and requirements for data analysis with the rising number of Parties. The delegation of the United States of America also recognized the importance of the trade monitoring and technical support supplied by WCMC. The delegation of France, supported by the delegation of Switzerland was opposed to any reduction in budget allocated to translation, stressing the vital importance of this activity in the functioning of the Convention.

After some discussion on the budget lines under the third group (Operation of the Secretariat), the delegation of New Zealand, supported by the delegation of the United Kingdom, noted that

Secretariat expenditure had been only 80 per cent of the budget for the last two years, and proposed that the entire group be deleted from the priority list with a note that if this resulted in operational problems, these should be referred to the Standing Committee. There was consensus on this.

In response to a suggestion that the priority programme activities be funded from the drawdown funds available for the 2001-2002 biennium (CHF 986,930 in the new scenario), the observer from UNEP stated that this would reduce the Trust Fund balance to the reserve figure of CHF 1.5 million and would leave no cushion at the end of the period. They maintained that this figure had to be maintained in case of liquidity problems or any shortfall in contributions.

The question of funding of the new posts approved by the Standing Committee was also addressed. If all available drawdown funds for 2001-2002 were used to fund the priority programme activities then at the end of the 2002 the 3.5 posts funded from drawdowns under the new scenario would have to cease, or be paid for out of increased Parties' contributions, or the Trust Fund reserve figure would have to be reduced from CHF 1.5 million.

The session was briefly suspended to allow delegations to discuss informally. The delegation of New Zealand then reported the following points that had emerged during this discussion. First, that the new scenario was with a 20 per cent budget reduction and yet still needed an increase in Parties' contributions of 10-15 per cent over the next biennium. Second, there was concern that programme activities had been moved into the Reduced budget items list. Third, there would be continuing liability for the new posts approved by the Standing Committee. They requested the Secretariat to prepare a revised scenario with the following conditions: the number of new posts was to be reduced from seven to four with two of these funded from the budget and two from the drawdown from the Trust Fund balance; the two remaining groups of budget lines in the Reduced Budget items list (CoP/Standing Committee and Activities) were to be put back in the budget in their entirety; and there was to be no increase in contribution from Parties, so that any necessary additional monies were to be taken from the draw down on the Trust Fund balance.

The delegation of Switzerland, supported by the delegation of Japan, then requested that CHF 200,000 in projected interest from the Trust Fund balance be included in the revised scenario, and suggested that travel items could be reduced further to fund one additional post.

The delegation of France asked for details of how the 13 per cent of the budget allocated to UNEP support was spent. The Secretariat explained that three posts within the Secretariat were directly funded by UNEP (the Administrative and Fund Management Officer and an Administrative Assistant and Finance Assistant in that office). The observer from UNEP noted that the question had been raised many times before and explained that the figure had been set by the General Assembly to ensure that the administration of conventions did not become a burden to UNEP. They had attempted to carry out this exercise in 1999 and had found it difficult because no one unit was assigned specifically to CITES-related matters within UNON, and the UN did not operate a time-management accounting system. He would, however, try to provide further information to the Committee at its next session.

The delegation of Colombia requested that any revised scenarios be made available in all three working languages of the Convention. The Chairman sympathized but explained that this was very difficult with informal documents given the time constraints and requested the understanding of the Committee. The session was closed at 11h35.

Chairman:	K. Stansell (United States of America)
Secretariat:	J. Armstrong M. Jankowska
UNEP:	E. Ortega
Rapporteurs:	M. Jenkins C. Lippai

Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

3. Budget for 2001-2002 and medium-term plan for 2001-2005

The Chairman reconvened the meeting and asked the Secretariat to explain the revised budget scenario they had produced. The Secretariat reminded Parties that the new posts had been reduced from seven to four, two of which would be financed from the drawdown in an amount of CHF 953,946 and the other two included in the main budget. Other changes included removing the budget heading Operation of the Secretariat in page 3 of the previous scenario and re-incorporating the first two budget headings in the total budget in the revised scenario. The Secretariat explained that the new Projected Trust Fund balance as of 1 January 2001, which incorporated the projected interest for 2000 of CHF 809,830, was now CHF 4,133,003, whilst the Trust Fund reserve remained untouched at CHF 1.5 million. The Secretariat summarized the revised scenario and said that the drawdown funds available in the biennium 2001-2002 had now increased from CHF 986,930 to CHF 1,679,054. This left a deficit in the budget of CHF 1,246,053, that would have to be met with increased contributions from the Parties equivalent to an overall increase of around 10 per cent on the previous biennium contributions.

Discussion ensued regarding the identification of the four posts and the Secretariat referred to the CITES Secretariat staff organigram in document Doc. 11.9.2 Annex 1. The Secretariat stated that it was inappropriate to discuss individual posts or particular Secretariat staff in this meeting since that would constitute micro-management of the Secretariat. The Secretariat indicated that it had simply included the cost of the higher level posts into the revised budget scenario. The delegation of Japan clarified that the four posts to be funded comprised three P4 posts and one P3 post, to which the Secretariat reported that, as they had based their calculations on four P4 posts, this clarification affected the revised scenario by effectively unlocking CHF 30,000.

The delegation of Australia commented that the caucus found the revised scenario to be a good basis to move discussions forward but had some comments to make regarding the work of the Secretariat. They said that they attached high priority to the Enforcement Unit and the Capacity Building Unit and felt that the Legal and Trade Policy Officer position should be retained as a matter of priority and that the Senior Capacity Building Officer (Projects) position should be included as a fifth post to be funded out of any savings in the Trust Fund. They also said that the caucus would prefer the Trust Fund reserve to be reduced to CHF 1 million and the CHF 500,000 arising be allocated to the deficit so that the increase in contributions by the Parties would be in the order of only 6 to 7 per cent. The Secretariat replied that there was insufficient funding for a fifth post.

The observer from UNEP warned Parties of the difficult situation they would face if they decided to lower the operational reserve to CHF 1 million as they considered CHF 1.5 million was already a dangerously low amount. They added further that the projected Trust Fund balance as of 1 January 2001 of CHF 4,133,000 was dependent on Parties paying promptly. They noted that the revised scenario left little room for manoeuvre and reiterated their suggestion that the CHF 1.5 million Trust Fun reserve be retained.

The delegations of Australia, Austria and Switzerland accepted the observer from UNEP's remarks but considered that reducing the Trust Fun reserve to CHF 1 million was a safe move, particularly in the light of the underspending and variance between budget and expenditure in previous years.

The Secretariat expressed its concern that if the Convention were to continue operations at the current level but with no available drawdown funds, an increase in Party contributions of between 40 and 50 per cent would be required to maintain the status quo in 2003. It added further that the identified 19 to 20 per cent increase had not been discussed at this session and hoped that this would be raised at the next meeting of the Conference of the Parties as current funding levels were not sustainable for the Convention.

The delegation of Colombia expressed concern that the revised scenario was not consistent with the Strategic Plan document Doc. 11.12.2, which had been adopted in the plenary session. The Plan attached great importance to enhancement of regional implementation of the Convention. They endorsed the comments by the delegation of Australia and stressed that capacity building was an important aspect of budgetary considerations, particularly in the Central and South American and Caribbean Region. They mentioned their discomfort that, despite a 10 per cent increase in Party contributions, the Region would not apparently benefit in terms of regional assistance. The delegation of Japan noted that many countries in the Asian Region were in need of assistance with capacity building and enforcement. The Secretariat emphasised that it attached great importance to the capacity building in those Regions.

The Chairman concluded that any available funding arising from reducing the Trust Fund reserve could be attributed to the fifth post, although the Secretariat would retain flexibility with regard to finding suitable candidates. Following further discussion on this issue, the Secretariat agreed that it needed a level of discretion regarding the posts to be filled and said that the Budget Committee was not the forum where this should be discussed.

The delegation of Mexico referred the Committee to document Doc. 11.12.4 regarding financing conservation and suggested that implementation of the draft decision in the Annex to this document could reduce some of the budget lines.

The delegation of France sought clarification on the scale of contributions by Parties and whether the UN ceiling of 25 per cent was applicable to the Parties to the Convention. They added that, if the Convention followed the UN scaling, they would like the contribution by the United States of America to remain at the 25 per cent ceiling. The Chairman, after discussion with the Secretariat, said that the Convention's scaling was variable and Party-specific, but that this was not the forum to discuss this. The delegation of the United States of America replied that the contribution by their country was voluntary and supported the Chairman's statement that the Budget Committee was not the forum to discuss the issue.

The Chairman said that any decision made on the biennium budget would impact on triennium budget considerations and urged Parties to complete the task in hand. He referred to the draft resolution in Annex 6 of document Doc. 11.10.3 (Rev. 1) and suggested that many of the amendments discussed during this session needed to be incorporated and a revised document had to be drafted for consideration. He added that not-funded priority activities were being identified during the current session and recommended appending an Annex to the new draft resolution listing those activities and whether they would be funded from drawdown funds or from other sources. He asked for and obtained the Committee's approval to include on that list the two new posts to be funded from drawdown funds and said that he would prepare such a

document. The Committee approved the budget with acclamation but with the proviso that further clarification on the new posts to be funded would be provided by the Secretariat.

9. Reports of the Secretariat

2. Staffing of the Secretariat

The Chairman reminded Parties of document Doc. 11.9.2, which had been referred to the Committee from the plenary session, and said that their task had been completed during discussions under Agenda item 10.3. He concluded by informing delegates that the outcome would be noted in the report to the plenary session.

40. Assistance to Scientific Authorities for making non-detriment findings

The chairman referred to document Doc. 11.40 and explained that this document had been referred to the Budget Committee as a result of its implication for the biennium budget. He mentioned that the current annual budget for 2001 and 2002 for assistance to Scientific Authorities was CHF 150,000 which was included in the budget approved earlier in the session. This was noted.

13. Terms of reference of permanent committees

The Chairman introduced document Doc. 11.13, now Com. 11.1, a draft resolution on the Terms of Reference of the permanent committees, which approved an additional member of the permanent committees from the Africa Region, dependent on the Budget Committee reviewing the budgetary implications. In response to a query from the delegation of the United States of America, the Secretariat explained that the financial implication of this decision was in the order of some CHF 5,000 per annum to cover travel and per diem costs and that this could be covered by the revised budget. In response to a query from the delegations of Colombia, New Zealand and the United States of America, the Chairman reported that the draft resolution was not specific to African Parties and that an extra representative for the Central and South American and the Caribbean Region had already been incorporated into the revised budget. The delegation of New Zealand noted that the draft resolution could have additional financial implications in the future as more Parties became signatories to the Convention.

In response to a query from the Japanese delegation concerning UNEP's proposed 13 per cent operational charge on counterpart funding, the Secretariat reported that although the Chairman of the Standing Committee had discussed it with UNEP the situation had not been resolved and that the Budget Committee would be informed of any outcome in due course.

The Chairman said that a further session of the Budget Committee would be necessary and that therefore he would be requesting the Chairman of the plenary session to delay consideration of Agenda item 10 to allow time for the session to be held and any documents to be distributed under the Rules of Procedure. He closed the session at 16h45.

Chairman:	K. Stansell (United States of America)
Secretariat:	M. Jankowska
UNEP:	B. Bendahmane T. Kapiga S. Kurdjukov E. Ortega
Rapporteur:	G. Furness

Strategic and administrative matters

10. Financing and budgeting of the Secretariat and of meetings of the Conference of the Parties

3. Budget for 2001-2002 and medium-term plan for 2001-2005

The Chairman expressed the hope that this would be the final session of the Committee, although he recognised that there were still difficulties to address, and noted that two new items had been provided to the Committee, namely a draft document Com.11.21 prepared by the Chairman in consultation with the Secretariat, incorporating the decisions of the Committee relative to the budget for 2001-2002 and medium-term plan for 2001-2005 and a revised paper projecting the status of the CITES Trust Fund based on these decisions.

He emphasized that the purpose of the session was to ensure that the decisions agreed previously were adequately reflected in the revised draft resolution and not to reopen debate. The Chairman apologized that the draft document was only available in English and stated that, once it had been accepted by the Committee, it would be translated into the other working languages and provided to all Parties 24 hours before its consideration in the plenary session, in accordance with the Rules of Procedure. In that regard, he had asked the Bureau to postpone discussion of budget issues in the plenary session from Tuesday 18 April to Wednesday 19 April.

Before opening discussion of the draft document, the Chairman reviewed the agreed decisions about the 2001-2002 biennium budget. They were:

- 1) The budget proposed by the Secretariat for its operations would be reduced by 20 per cent and, if this resulted in operational problems, these should be referred to the Standing Committee.
- 2) Only five of the seven posts previously approved by Standing Committee would be covered by the budget in the following manner: one-half of the costs for four of these posts, three P4s and one P3, would be included in the base budget and one-half drawn down from the Trust Fund reserve. If funds became available, they could be used to fund the fifth post, although the Secretariat would retain flexibility as to which post would be filled. In response to concerns expressed by the delegations of Colombia and Japan, the Secretariat agreed to note that the Parties had given strong support for using such funds as might become available in order to assist in implementation, capacity building and regional coordination. This was reflected in the draft document and was fully consistent with the decision taken at the 10th meeting of the Conference of the

Parties giving the Secretariat authority to make staffing decisions as necessary to implement the priorities of the Parties within the overall budget.

- 3) The Secretariat was authorized to draw down the Trust Fund balance to offset deficits, provided that the balance at the start of any year was at least CHF 1 million.

These decisions meant that:

- 1) The 2001-2002 biennium budget represented a 26.5 per cent increase per annum over the average annual budget in the previous triennium.
- 2) This budget would require an increase of 6.1 per cent in annual Party contributions.
- 3) It would require drawing down CHF 3.1 million from the Trust Fund balance.
- 4) Assuming an average (and modest) 1.5 per cent per annum increase over the 2001-2002 budget, the 2003-2005 budget was projected to require a maximum 27.16 per cent increase in Party contributions, if the CHF 1 million balance was retained and the surplus did not increase.

The Chairman and Secretariat clarified for the delegations of New Zealand and Switzerland that Party contributions for 2001 and 2002 would be the same amounts (6.1 per cent over the 1997-1999 annual contributions), and for the delegation of the United Kingdom that the decrease in the proposed scale of contributions reflected changes in the UN scale. The delegation of the United States of America stated a more general concern that the Secretariat must exercise more fiscal responsibility and work more closely with the Parties on financial issues in the future. The Secretariat should understand clearly that income and expenditure had to be brought into balance and growth of the budget reduced drastically. The delegation of the United Kingdom agreed, suggesting that goal 7 of the Strategic Plan, calling for an improved and secure financial basis for the Convention, be referenced in the document. They also suggested that enforcement should be included as a priority area, to which the Chairman agreed. The delegation of Australia expressed concern about the impact of drawing down the Trust Fund balance to CHF 1 million on Secretariat operations in 2003 and suggested that discrete and one-time projects that could be completed before 2003 be identified. The delegations of Japan, New Zealand and Switzerland, as well as the Chairman, agreed with these concerns. The Chairman suggested that a drafting group should prepare text to express these concerns that he would insert into the document before it was translated and printed.

The Chairman then called attention to important changes proposed to the draft resolution contained in document Doc.11.10.3 (Rev.1) Annex 6.

- 1) A new paragraph beginning with NOTING the considerable increase in the number of Parties had been added to the end of the preamble explaining the need for the budget increase.
- 2) The agreement of the Committee on the budget terms described above was in the operative paragraphs.
- 3) An operative paragraph gave authority to the Secretariat to make adjustments for priority activities, in association with the Standing Committee.
- 4) An operative paragraph implemented the procedures for deletion of projects approved for external funding which had not received funding or proponents of which had not satisfied conditions laid down by the Standing Committee.
- 5) The final operative paragraph provided for servicing the three languages of the Convention, reiterated the authority of the Secretariat to make staffing decisions as necessary to implement priorities of the overall budget, and provided that any new work

could be undertaken only if additional funds were approved or existing work reprioritized.

- 6) Text should be added directing the Secretariat to work closely with the Finance Subcommittee of the Standing Committee, to implement goal 7 of the Strategic Plan, as suggested by the delegation of the United Kingdom.
- 7) Annex 3 stated the financial requirements for 2003-2005.
- 8) Annex 4 listed items approved but still needing funding (i.e. that the Secretariat could fund if resources became available). This list could well be added to if the plenary session approved working groups on such issues as freshwater turtles and the bear trade. There was also a list of insufficiently funded budget lines, reduced by the 20 per cent cut.

Delegations made a number of suggestions that the Chairman agreed to incorporate in the draft. He declared a brief recess for a drafting group to prepare wording.

The drafting group provided text expressing the following points.

- 1) Adding to the paragraph taking note of the 2001-2005 medium-term budget estimates, expresses concern that there may be significant discrepancies between resources available and expenditures after 2002 due to significant expenditures from the CITES Trust Fund balance, and further notes Goal 7 of the Strategic Vision to improve realistic planning and forecasting for the Convention.
- 2) Adding the following paragraph: Further REQUESTS that the Secretariat provide clear indication of the increase of member contributions consequent to each proposed budget.
- 3) Adding the following paragraph: DIRECTS the Secretariat, in association with the Standing Committee, to identify one-off and discrete programmes that conclude before or soon after 2002 with a view to allocating the freed-up resources to future funding.
- 4) Directed that the Secretariat In establishing priorities, first priority should be given to new activities for the Parties.
- 5) Added a paragraph, REMINDS the Parties of Resolution Conf. 4.6 (Rev.), which provides that "any draft resolutions or decisions submitted for consideration at a meeting of the Conference of the Parties that have budgetary and workload implications for the Secretariat must contain or be accompanied by a budget for the work involved and an indication of the source of funding".

The Chairman then said the Committee had two approaches that it could take to decisions taken by the present meeting that had financial implications, some of which had already been anticipated by the Committee. It could schedule another meeting, or the items could be added to the list in Annex 4 of approved but unfunded activities. There was general agreement on the latter approach.

After a few more clarifications, the Chairman declared the draft document Com. 11.21 accepted as amended and said it would be presented to the plenary session sometime on 19 April.

The delegation of Japan asked how discussions about the 13 per cent overhead charged by UNEP had been resolved, especially as it applied to external funding. The Chairman said that the Standing Committee had directed its Chairman to discuss the issue with the Executive-Director of UNEP and report to the Budget Committee relative to the 13 per cent overhead charge on counterpart funding. The representative of UNEP said this was a very difficult issue, as it stemmed from a UN General Assembly decision applicable to all bodies serviced by UN agencies. The delegation of the United States of America urged that the issue be discussed in the Finance

Subcommittee during the next intersessional meeting of the Standing Committee. The Chairman reported that since the issue of the 13 per cent on counterpart contributions had not been presented to the Budget Committee, he would defer the issue back to the plenary session.

The delegation of New Zealand, echoed by the delegation of Japan and applause from the other participants, expressed warm thanks to the Chairman for his good humour and hard work. The Chairman in turn thanked the Committee for its endeavours. All agreed that reaching agreement had been difficult, but positive results had been achieved. The Chairman remarked that the Conference of the Parties had "reached critical mass and was moving ahead." He looked forward to continuing working with the participants in the Committee and declared the meeting closed at 16h10.