



Secretariat provided by the United
Nations Environment Programme
(UNEP)

Agenda item: 15 a.
Doc: AEWA/StC1.9
10 November 2003
Original: English

FIRST MEETING OF THE STANDING COMMITTEE

24 - 25 November 2003, Bonn, Germany

FINANCIAL AND ADMINISTRATIVE MATTERS

REPORT ON INCOME AND EXPENDITURES ON THE FIRST TRIENNIUM 2000-2002 AND FOR THE YEAR 2003

Prepared by the Secretariat

INTRODUCTION

The budget proposal for 2003-2005 was adopted by the Meeting of the Parties at its second session (September 2002, Bonn, Germany) by Resolution 2.7. According to Resolution 2.6, operational paragraph 1 (c) *The Standing Committee shall oversee, on behalf of the Meeting of the Parties, the development and execution of the Secretariat's budget as derived from the Trust Fund and other sources, and also all aspects of fund-raising undertaken by the Secretariat in order to carry out specific functions authorised by the Meeting of the Parties'.*

In this specific document the Secretariat reports on the financial closure of the first triennium 2000-2002, on the current situation regarding expenditures and on annual and voluntary contributions of Parties to the AEWA Trust for 2003.

The Standing Committee is requested to review the information given in this report and to provide guidance and advice to the Secretariat on administrative and financial matters.

FINANCIAL OVERVIEW 2000-2002

After MOP2 the common Administrative and Fund Management Unit in close cooperation with the Agreement's Secretariat worked on the closure of the accounts for 2000-2002. This was not so easy because we did not have the so-called IABS (Integrated Accounting and Budgeting System) at the beginning of the triennium 2000-2002. This system was introduced and implemented in 2002 and provides the managers with up-to-date information per budget line regarding expenditures made so far. This has proved a useful tool for planning purposes. However, with a lot of effort in particular from the Finance Assistant this closure exercise was recently finalised.

OVERVIEW OF INCOME/ EXPENDITURE OF ANNUAL CONTRIBUTIONS

Year 2000

Particular reference is made to the fund balance for 2000 (see Annex 1). Although it was agreed by MOP1 to establish the Permanent Secretariat as of 1 January 2000 the recruitment process for the post of Executive Secretary took much more time than expected. The Government of the Netherlands agreed to continue to provide the Interim Secretariat free of charge pending the recruitment of the Executive Secretary and establishment of the permanent Secretariat in Bonn. The Permanent Secretariat in Bonn was established on 17 July 2000. This meant that for the first half year of 2000 no expenditures were made from the AEWA Trust Fund. However as of 1 January

2000 the Contracting Parties started to deposit their annual contributions. This explains the excess of income over expenditure of US \$ 286,519 for that particular year.

As a rule of thumb UNON advises all UNEP administered Secretariats to retain a reserve of about 50 percent of the average annual budget as adopted by the Meeting of the Parties. For the first triennium on average the annual budget was US \$ 374,000. Therefore, the amount of funds accrued through the fund balance during the first year, namely US \$ 286,519, is sufficient reserve to cover the 50 % of the average annual budget as indicated above.

Year 2001

This was the first year all expenditures were covered by the AEWA Trust Fund. However much time had to be spent to make the Secretariat not only familiar with the UN Rules and Regulations but also to build up a new network of contractors in Germany. In addition it should be noted that the Assistant/ Secretary was recruited in 2001 and entered on duty in August. These things together had an impact on the number of activities that could be contracted out and it is obvious that this led to some savings.

As indicate in Annex 1, the excess of Income over Expenditures in 2001 amounted to US \$ 148,419. The actual figure is lower because in 2002 a prior year adjustment of US \$ 46,100 was made, which meant, that actually the excess of Income over Expenditures was about US \$ 100,000.

Year 2002

In 2002 MOP2 took place. Organising such an event is a great burden for a small Secretariat as AEWA is. Although we did our utmost we could not contract out all activities that were foreseen in the work programme 2002 of the Secretariat. Furthermore we managed to gain some savings on the costs foreseen for organising MOP2 due to the fact that MOP2 was organised back to back with COP7 CMS. A good example is the cost for funded delegates. Due to the generous offer of the Federal Republic of Germany a grant was received by CMS of EURO 125,000 to fund delegates of developing countries or countries with economies in transition to participate CMS COP7 CMS as well as AEWA MOP2. Therefore the funds allocated in the AEWA budget 2002 for this purpose namely US \$ 87,500, were not used. This all led to an excess of Income over Expenditure of US \$ 133,267.

OVERVIEW OF INCOME/ EXPENDITURE VOLUNTARY CONTRIBUTIONS

Annex 2 gives an overview of income and expenditure of voluntary counterpart contributions. For 2000 no voluntary contributions were received. Otherwise this Annex should be self-explanatory. Unfortunately due to unforeseen circumstances some projects have not been contracted out or have been subject to major delays. Therefore not all funds available could be spent so far. It is expected that these problems can be solved in due course.

FINANCIAL OVERVIEW 2003

OVERVIEW OF EXPENDITURE OF REGULAR BUDGET AND VOLUNTARY CONTRIBUTIONS

In the financial overview for 2003, as attached hereto as Annex 3, information can be found on the expenditures as well regarding the regular budget as the voluntary counterpart contributions till 31 October 2003. This table compiled by the Secretariat is based on information received from UNON and the so-called project card of our IABS system.

The first part of the table deals with the regular budget as approved by MOP2. The column headed '*Approved*' shows the amount actually approved by MOP2 for that specific budget line. Adjacent to this a column has been inserted headed '*Allocated*'. Early 2003 at the request of the Secretariat the Chairman of the Technical Committee approved to transfer the leftover in several budget lines of 2002 to the corresponding budget lines for 2003. The reason for the Secretariat to request this was that the Secretariat expected shortfalls in the following budget lines (BL):

- a) 1101 Executive Secretary;
- b) 1221 Consultancies to develop information materials;
- c) 2202 – 2218 Project funded by voluntary counterpart contribution

- d) 5201 Document production (external)
- e) 5202 Information material

Ad a): According to the UN Staff Rules Professional Staff that have been internationally recruited is entitled to apply for an education grant. At the end 2001 the Executive Secretary submitted his application for this grant for the year 2000-2001. For one or another reason this application was lost in Nairobi and therefore a new request was submitted to UNON including an application for the year 2001-2002. Early 2003 agreement was reached with UNON for both school years. Therefore payments were expected to take place in 2003. As shown in Annex 3 this, as expected, causes a deficit.

Ad b), d) and e): As a follow up to MOP2, it is obvious that many documents adopted by the Meeting of the Parties are to be published and disseminated. Also the Secretariat thought that it would be good to disseminate the main outcomes of the MOP2 through a special issue of the AEWA Newsletter. As shown in the table in Annex 3 the shortfall expected has become a reality.

Ad c): The Secretariat is very pleased with the support received from many Contracting Parties for the implementation of the International Implementation Priorities AEWA 2003-2007. The shortfall expected here is caused partly by the 13 % UNEP overhead that is deducted from the funds received, partly by the fact that some Parties do not subsidise 100 % and partly by the fact that some Parties pay by instalments. Regarding the latter it should be noted that UN does not allow any financial commitments to be made before the budget is in place. To enable this kind of projects to be started the Secretariat regularly re-allocates budget within the subcontract component. Contrary to the previous budgeting system the new IABS system give us the possibility to allocate earmarked funds received. This allows closer monitoring of the financial resources still available for a certain project.

For 2003 in total an amount of US \$ 543,532 is available as regular budget. On 30 October 2003 a total amount of US \$ 386,279 had been committed or already paid. This means that from the total budget allocated 71 % had been spent/ committed.

The Secretariat expects that in coming months most of the remaining funds still available could be spent. Probably by the end of 2003 there will be a very limited excess of income over expenditure.

OVERVIEW INCOME THROUGH ANNUAL CONTRIBUTIONS/ VOLUNTARY CONTRIBUTIONS

A statement of the annual contributions received for the AEWA Trust Fund can be found in Annex 4. As of 31 October 2003 only an amount of US \$ 3,449 of unpaid pledges for prior years is still outstanding. The total amount of unpaid pledges for 2003 is US \$ 33,679.

Both UNON and the Agreement's Secretariat are sending out regular reminders to Contracting Parties that did not pay their dues. The amount of unpaid pledges for prior years shows that not many Parties have dues in arrears.

Contrary to previous years the Secretariat encountered some problems with obtaining voluntary counterpart contributions for the Implementation of the International Implementation Priorities AEWA 2003-2007 and/ or other activities of the Agreement's Secretariat. The economic recession many industrialized countries are currently facing causes these problems. So far the following countries have provided a voluntary contribution to AEWA in 2003:

- Germany (EURO 25,600)
- UK (£ 25,000)

Voluntary contributions are extremely important to support the implementation of the Agreement. It is hoped that coming years the support will increase and enable the Secretariat to continue with for example the implementation of the International Implementation Priorities 2003-2007. Any advice/ guidance of the Standing Committee in this respect would be welcomed.