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INTERGOVERNMENTAL NEGOTIATING COMMITTEE FOR AN
INTERNATIONAL LEGALLY BINDING INSTRUMENT FOR
THE APPLICATION OF THE PRIOR INFORMED CONSENT
PROCEDURE FOR CERTAIN HAZARDOUS CHEMICALS AND
PESTICIDES IN INTERNATIONAL TRADE

Seventh session

Geneva, 30 October – 3 November 2000

Item 5 (b) of the provisional agenda*

PREPARATION FOR THE CONFERENCE OF THE PARTIES: POSSIBLE OPTIONS FOR
FINANCIAL RULES, INCLUDING FINANCIAL PROVISIONS FOR THE PERMANENT
SECRETARIAT AND A DRAFT BUDGET FOR THE FIRST BIENNIUM

Financial rules and procedures for the Conference of the Parties,
its subsidiary bodies and its secretariat.

Note by the secretariat

1. Article 18, paragraph 4 of the Convention stipulates: “The Conference of the Parties shall by consensus agree upon and adopt at its first meeting rules of procedure and financial rules for itself and any subsidiary bodies, as well as financial provisions governing the functioning of the Secretariat.”
2. In considering the above issue, the Committee, at its sixth meeting, invited the secretariat to prepare a paper outlining possible options for financial rules and a draft budget for the first biennium and to integrate secretariat arrangements and financial provisions for the secretariat herein, for consideration by the Committee at its next meeting.
3. In response to the Committee's request, the interim secretariat has prepared the present note with an annex I containing an outline of elements for financial rules and procedures, with possible options, and an annex II containing a draft budget for the first biennium.
4. The outline is based on well-known precedents and practices set by the following multilateral environmental agreements: The Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer; the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; the United Nations Framework Convention on Climate Change; the Convention on Biological Diversity; and the United Nations Convention

* UNEP/FAO/PIC/INC.7/1.

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to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.

5. A matrix of core elements from those multilateral environmental agreements is found in table 1, and a compilation of financial rules for the above agreements will be made available at the meeting in document UNEP/FAO/PIC/INC.7/INF/4.

6. The draft budget for the first biennium and its staffing level is based on the experience gained by the secretariat during the implementation of the interim prior informed consent (PIC) procedure and its present volume of activities, including the convening of a session each of the Conference of the Parties and the Chemical Review Committee once a year. The draft budget is also based on the present locations of the secretariat in Geneva and Rome, without prejudice to any decision the Conference of the Parties may take on the location of the secretariat. The items on workshops and other support activities (21 and 32) are left blank, and the Intergovernmental Negotiating Committee may wish to provide guidance to the secretariat regarding the nature and level of such activities that it would like to include in the draft budget.

Possible action by the Committee

7. The Committee may wish to provide guidance to the secretariat and request it to prepare draft financial rules and procedures for the Conference of Parties, its subsidiary bodies and the secretariat for consideration by the Committee at its next session.

8. The Committee may also wish to provide additional guidance to the secretariat on the draft budget for the first biennium and request the secretariat to modify the budget accordingly.

Table 1: Core elements from multilateral environmental agreements

Multilateral environmental agreements	Montreal Protocol	Basel Convention	Framework Convention on Climate Change	Convention on Biological Diversity	Convention to Combat Desertification
Financial Period	Biennium	Biennium	Biennium	Biennium	Biennium
Adoption of budget by:	2/3 majority representing 50% ODS consumption	Consensus	Consensus	Not yet decided	Consensus
Transfer between budget lines	Free	Bureau can approve expenditures that exceed the approved amount within the total approved.	Free within main lines. COP to set limit for transfer between main lines.	As per United Nations rules.	Free within main lines. COP to set limit for transfer between main lines.
Number of funds	1	2	2	1 (+2 at COP3)	3
Purpose of fund(s)	Expenditures approved by the Parties	1. Trust fund: Expenditures of the secretariat. 2. Technical trust fund: Technical assistance to DCs in implementing the Convention.	1. Fund: All expenditures. 2. Special fund: DC participation in COPs.	1. Core fund 2. Voluntary fund for additional approved activities. 3. Voluntary fund for participation of DCs.	1. Core fund 2. Supplementary fund (non-governmental organizations participation and assistance). 3. Special fund: DC participation in COPs.
Capital reserve	-	-	Yes. Level to be decided by the COP	-	Yes, in the general fund. Level to be decided by the COP.
Fund management	Secretary-General to the MOP.	Secretary-General to the COP.	Head of the secretariat.	A trustee shall establish and manage the trust fund(s). UNEP has been selected as trustee.	Head of the secretariat.

Multilateral environmental agreements	Montreal Protocol	Basel Convention	Framework Convention on Climate Change	Convention on Biological Diversity	Convention to Combat Desertification
Contributions	Voluntary, based on modified United Nations scale of assessment	1. Assessed. Modified United Nations scale of assessment. 2. Voluntary.	1. Assessed. Scale to be adopted by consensus. 2. Voluntary.	1. Assessed. 2+3. Voluntary.	1. Assessed. Scale to be adopted by consensus. 2+3. Voluntary.
Ceiling (25%)	25%	25%	25%	25%	25%
Base (.01%)	.1%	-	.01%	.01%	.01%
Currency	\$	\$	Convertible currencies.	\$	\$
Pro rata contributions	Yes	Yes	-	Yes	Yes
Amendments by			Consensus.	Consensus	Consensus
Support charge	13%	13%	Reimbursement - as agreed.	Agree on charge to be paid.	Reimbursement - as agreed.

Key:

- COP - Conference of the Parties
 DC - Developing country
 MOP - Meeting of the Parties
 ODS - Ozone-depleting substances

Annex I

Outline of elements for financial rules and procedures

I. SCOPE

1. Defines the scope of the financial rules, which normally covers the Conference of the Parties, its subsidiary bodies and the secretariat. A provision that United Nations financial regulations and rules shall apply if a situation is not covered by the present rules could also be included.

II. FINANCIAL PERIOD

2. Budget estimates are usually prepared for two years, a biennium, under the United Nations system. Some rules provide that the first calendar year shall be an even-numbered year.

III. BUDGET

3. Upon the entry into force of a convention, the Conference of the Parties, as the supreme body and a distinct legal entity, will adopt a convention budget, on the basis of an estimate prepared by the secretariat. This budget will project expenditures for sessions and activities of the Conference of the Parties and its subsidiary bodies, as well as for the functions of the secretariat.

A. Method of adoption

4. The financial rules of most multilateral environmental agreements specify directly that decisions by the Conference of the Parties regarding the budget shall be made by consensus, but other options are possible.

5. The Conference of the Parties may wish to consider devices to facilitate approval of the budget. One option is an informal arrangement whereby an ad hoc working group would review administrative and budgetary proposals before they are considered by the Conference of the Parties, but such arrangements are normally not part of the financial rules. The Conference of the Parties of the United Nations Framework Convention on Climate Change and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, for example, use such an arrangement.

B. Transfers between budget lines

6. Connected to the issue of budget approval is the consideration of transfers between budget lines. The heads of secretariats may normally make transfers within each of the main appropriation lines of the approved core budget. Transfers between such appropriation lines is normally also allowed up to limits established by the Conference of the Parties.

IV. FUNDS

A. Types of funds

7. The standard practice for multilateral environmental agreements is to establish a fund or a set of funds to which contributions are made and on which expenditures are based. Normally, there is a general fund to receive contributions following a scale in order to finance the activities of the Conference of the Parties, its subsidiary bodies and the secretariat, and one or more separate trust funds to receive other contributions.

B. Working capital reserve

8. The experience of other multilateral environmental agreements shows that temporary shortfalls of funds can occur, because of Parties' internal procedures in making contributions, exchange rate fluctuations and other factors. These can endanger the continuity of activities carried out in pursuance of a convention. Therefore, the financial rules for recent multilateral environmental agreements have provided for the establishment of a working capital reserve within the general fund.

V. CONTRIBUTIONS

A. Scale of contributions

9. The scale of contributions to the regular budget of the United Nations is widely used as a basis for the scales of environmental conventions. The United Nations scale takes into account a number of economic and financial factors, including population and gross national product. The scale is fixed and reviewed periodically by the United Nations Committee on Contributions, which makes adjustments when there is a substantial change in the relative capacity of a country to contribute. The Committee on Contributions would also be able to provide a theoretical rate of contributions for those State Parties to the Convention that are not members of the United Nations but participate in its activities.

10. Most multilateral environmental agreements take the United Nations scale as a basis with a few adjustments. One adjustment exempts Parties that would pay less than 0.01 per cent of the total. This would avoid the substantial collection and processing costs incurred in gathering very small contributions. There is also provision for a pro rata payment for States that become Parties after the beginning of the financial period.

B. Contributions not subject to scale

11. Most financial rules provide for contributions not subject to the United Nations scale from Parties and a wide range of other sources. Recently adopted financial rules of the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity and the Convention to Combat Desertification, allow donors to earmark such contributions for specific purposes through an agreement with the head of the secretariat.

12. Contributions outside the scale could be furnished from, inter alia, the Government hosting the secretariat, other Governments and organizations.

VI. ADMINISTRATIVE SUPPORT CHARGES

13. The institution(s) providing financial and administrative management services to the secretariat would incur administrative support costs. Reimbursement for such costs is often handled by taking out a fixed percentage of contributions. The trend, however, is increasingly for the Conference of the Parties to negotiate the amount of reimbursement with the relevant institution.

Annex II

Table 2: Draft budget for the first biennium

				Year 1		Year 2	
10	Project personnel component						
	11	Project personnel		grade	w/m		w/m
		1101	Executive Secretary (UNEP)	D-1	3	38,684	3
		1102	Executive Secretary (FAO)	D-1	3	42,000	3
		1103	Coordinator	P-5	12	142,290	12
		1105	Senior Programme Officer	P-5	12	154,000	12
		1106	Programme Officer	P-4	12	130,764	12
		1107	Programme Officer	P-4	12	140,000	12
		1110	Programme Officer	P-3	12	97,410	12
		1111	Programme Officer	P-3	12	128,000	12
		1199	Total			873,148	
	12	Consultants					
		1201	DGDs			15,000	
		1202	Office automation etc.			10,000	
		1203	Publications			10,000	
		1299	Total			35,000	
	13	Administrative support					
		Administrative personnel					
		1301	Legal Assistant	G-5	9	51,179	9
		1302	Data Clerk	G-4	12	68,238	12
		1303	Secretary	G-4	12	56,000	12
		1304	Data Clerk	G-3	12	48,000	12
		1305	Secretary	G-3/5	12	69,576	12
		1309	Temporary assistance/overtime			10,000	
		Subtotal Administrative personnel				302,993	
		Conference servicing costs					
		1350	Conference Services COP-2			450,000	
		1351	Conference Services COP-3			0	450,000
		1360	Conference Services CRC-1			85,000	
		1361	Conference Services CRC-2			0	85,000
		Subtotal Conference servicing				535,000	
		1399	Total			837,993	

				Year 1		Year 2	
16	Travel on official business						
	1601	Travel			60,000		60,000
	1699	Total			60,000		60,000
1999	Component total				1,806,140		1,826,254
20	Subcontract component						
21	Subcontracts workshops (MOUs/LOAs)						
	2101	To be completed			0		0
	2199	Total			0		0
23	Subcontracts (Commercial)						
	2301	Office automation			10,000		10,000
	2302	Information material			5,000		5,000
	2303	Other			5,000		5,000
	2399	Total			20,000		20,000
2999	Component total				20,000		20,000
30	Training component						
32	Workshops, travel support						
	3201	To be completed			0		0
	3299	Total			0		0
33	Meetings, travel support						
	3301	COP-2			300,000		0
	3302	COP-3			0		300,000
	3310	CRC-1			60,000		0
	3311	CRC-2			0		60,000
	3399	Total			360,000		360,000
3399	Component total				360,000		360,000
40	Equipment and premises						
41	Expendable equipment						
	4101	Computer software			10,000		10,000
	4102	Books, publications, etc.			10000		10000
	4103	Other			5,000		5,000
	4199	Total			25,000		25,000

				Year 1		Year 2	
42	Non-expendable equipment						
	4201	Office automation, hardware			10,000		10,000
	4202	PC's and printers			15,000		15,000
	4203	Photocopier			10,000		0
	4204	Fax			5,000		0
	4299	Total			25,000		25,000
43	Premises						
	4301	Rent/Maintenance			10,000		10,000
	4302	Utilities			1,000		1,000
	4303	Cleaning			2,000		2,000
	4399	Total			13,000		13,000
4999	Component total				63,000		63,000
50	Miscellaneous						
51	Operation and maintenance of equipment						
	5101	Maintenance of office automation			5,000		5,000
	5102	Maintenance of PC's and printers			2,000		2,000
	5103	Maintenance of photocopier			3,000		3,000
	5014	Other maintenance			2,000		2,000
	5199	Total			12,000		12,000
52	Printing, translations						
	5201	Printing			15,000		20,000
	5202	Translation			10,000		10,000
	5210	Information material			7,500		7,500
	5221	Other			5,000		5,000
	5299	Total			37,500		42,500
53	Sundry						
	5301	Communication costs			10,000		10,000
	5302	Postage			20,000		20,000
	5310	Other			2,000		2,000
	5399	Total			32,000		32,000
54	Hospitality and entertainment						
	5401	Hospitality reception			5,000		5,000
	5499	Total			5,000		5,000

				Year 1		Year 2	
55	Evaluation						
	5501	Evaluation consultant			5,000		5,000
	5502	Administrative support			1,000		1,000
	5599	Total			6,000		6,000
	5999	Component total			92,500		97,500
	TOTAL				2,341,640		2,366,754
	Administrative Costs (13%)				304,413		307,678
	GRAND TOTAL				2,646,053		2,674,432
