

Report of the virtual meeting of the Subgroup on Finance, Part I
21 June 2021 13:00 – 16:30

Participants:

Members of the Subgroup on Finance

Australia, Costa Rica, Estonia, Japan, Mexico (Chair), Panama, Senegal (also representing RRI SenegalWet), Switzerland and the United States of America.

Contracting Party Observers

Cambodia, Colombia (also representing the Ramsar Regional Initiative for the Amazon River Basin), Islamic Republic of Iran, Sweden, Turkmenistan and Uzbekistan

Representatives of Ramsar Regional Initiatives (present for agenda item 2)

The Indo-Burma Ramsar Regional Initiative (IBRRI), represented by IUCN and the Ramsar Regional Initiative for Central Asia (RRI-CA), represented by Uzbekistan and CAREC.

Secretariat

Secretary General, Deputy Secretary General, Finance Manager, Director, Science and Policy, Senior Advisor for the Americas, documentation, administrative and IT staff.

The Chair opened the meeting and introduced the agenda, noting that item 2 on allocation of the core budget line D “Support to Regional Initiatives” would be covered at the end of the meeting, when representatives of Ramsar Regional Initiatives (RRI) had joined. The Chair also thanked Japan for sending the questions and comments ahead of the meeting, that were addressed by the Secretariat and shared with the Subgroup with the updated agenda before the meeting. The participants approved the agenda.

The Subgroup agreed to produce the Subgroup report in two parts, taking into account that some issues were to be considered by the Standing Committee before the final decision on allocations

The group reminded the Secretariat of the importance of publishing of documents in accordance with Rules 10 and 13 of the Rules of Procedure. The Secretary General noted this, while recalling the need to await the report of the auditors and observing that the demands of virtual working and intersessional decision-making had added to the challenge this year. The Secretary General further noted that some documents that had already been published by the Secretariat had become inaccessible on the website due to technical issues. This had been corrected. The Chair recognized the issue while noting for the record the remarkable efforts of the Secretariat in this period.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee note with concern the challenges caused by the timing of the arrival of the audited financial statements, which results in the late delivery of finance-related documents and prevents compliance with Rule 10 of the Rules of Procedure, and request the Secretary General to take the measures necessary to ensure that all non-audit-related financial documents, especially those that are related to requests for additional funds, are circulated in accordance with Rule 10 ahead of the meetings of the Subgroup of Finance in order to facilitate adequate and appropriate consideration of all budgetary matters.

The Secretary General provided an overview of the issues to be addressed and the supporting documentation (documents SC59 Doc. 8.1, 8.2 and 8.3), noting that they had been prepared on the assumption that COP14 would take place in October 2021. The proposal to postpone COP14 to the last quarter of 2022 would have implications on the recommendations of the Subgroup, with an extraordinary meeting of the COP expected to place in the last quarter of 2021, at which a budget for 2022 would need to be approved.

Agenda item 1: SC59 doc.8.1, actions i., ii., iii. and iv.

The Secretary General introduced the elements of document SC59 Doc.8.1 relating to the 2020 financial statements, highlighting the inclusion of the audited statements, and laying out the balances carried forward. She noted the good cash position with implementation limited by the COVID-19 pandemic, income as budgeted and staff costs stable, while drawing attention to an expected rise in provisions. The Secretary General also indicated items for consideration, such as the Secretariat's proposed adjustments to the COP13-approved core budget, possible use of savings and increase of provision of outstanding contributions. Additionally, the increase of outstanding contributions has not been included in the Budget Scenarios, hence a need for a separate allocation.

The Subgroup welcomed the clean audit and recognized the efforts made by the Secretariat to solve the issues and ensure improvements in financial governance and reporting: It noted with satisfaction the signing of the IKI project and closing of Small Grants Funds. The group also encouraged the Secretariat to continue to follow the development of a self-assessment methodology by IUCN, for possible implementation.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee:

- ***accept the 2020 audited financial statements as of 31 December 2020;***
- ***note the core budget results for 2020;***
- ***note the non-core balances and voluntary contributions for 2020;***
- ***note the unspent/uncommitted balances that are carried forward from 2020 to 2021, as described in paragraph 20.***

Agenda items 3 and 4: SC59 doc.8.1, actions vi. and vii.

The Secretary General drew attention to paragraphs 35 to 37 of document SC59 Doc.8.1, which reflect adjustments to the COP13-approved budget between budget lines covering staff and travel costs, and propose (in paragraph 37) to present the "other benefits" in one budget line rather than in each budget area.

The group expressed the preference to keep the “other benefits” in budgets line with the staff costs for each budget area for greater transparency. The Secretary General noted that while this was not a problem and would not change the funding amounts themselves, their inclusion in the line with “salaries and social costs” would result in the percentage of the staff and related costs appearing to increase from approximately 69% to 71%, which was still within the range of other conventions.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee:

- ***approve and note the proposed adjustments to the COP13 approved core budget, as described in paragraphs 35 and 36 and presented in column E of the table in Annex 4;***
- ***approve the presentation of the “other benefits” within the merged budget line “salaries, social costs and other benefits” for each budget area in the future budgets, recognizing that this change in location of the funding between budget lines does not reflect a change to funding levels.***

Agenda items 5 and 6: SC59 doc.8.1, actions viii and ix.

The Subgroup considered the possible sources of funding proposed by the Secretariat and agreed to include its recommendations in Part II of the report.

Agenda item 7: SC59 doc.8.1, action x.

The Chair noted the increase in provisions for outstanding contributions in the 2021 budget, and observed that this would likely apply in 2022 and following years, so further inputs and discussion would be needed to identify sources of funds for the longer term. The Secretary General recalled the recent change in 2019 in the methodology for calculating provisions in line with Swiss law. The Secretariat clarified that the increase was also related to the ageing of outstanding contributions from before 2021.

The group acknowledged the need to provide for the risk of further non-payment of contributions following the COVID-19 pandemic, and supported the conservative approach to the calculation of provisions for outstanding contributions within the current economic circumstances, while observing that provisions for outstanding contributions could fall again once the level of outstanding contributions decreases.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee approve the allocation of CHF 72,000 from savings from the 2020 core budget to accommodate the increase of provisions for outstanding contributions in the 2021 budget.

Agenda item 8: SC59 doc.8.1, action xi.

The Secretary General presented the possible uses of 2020 savings listed at paragraph 42 of document SC59 Doc.8.1. She recalled from her previous comments the following further potential

use: f) to cover provisions for outstanding contributions in the next triennium (estimated at CHF 360 K for the triennium).

The Secretariat clarified that the funds for proposal c) on the Ramsar Awards would cover the communications element, namely video vignettes on the work of each Award winner. The Subgroup agreed to consider proposal c) once the Standing Committee has decided whether to consider the Ramsar Awards at SC59 or SC60. One member requested the Secretariat to further strengthen efforts to find potential donors from the private sector to replace Danone, as there is still time to do so.

The group agreed to concentrate on time-sensitive items. These would include: b) funds for World Wetlands Day 2022; and d) web redevelopment in 2021, well before COP14. One member suggested that web development funds might also consider wider technical support such as an online workspace for ongoing Standing Committee discussions.

The Secretary General recalled Resolution XII.2 paragraph 15 and noted that if a) is not approved then the budget scenarios presented in document SC59 Doc.8.3 would have to be reviewed. The Subgroup agreed to consider this item as part of the budget to be approved by the extraordinary meeting of the COP, focusing on the need foreseen for 2022.

The group proposed that item e) COP14 delegate travel should continue to be funded by the non-core voluntary funds, once the modality of COP14 had been ascertained. The group called for the Secretariat to ramp up efforts to find new voluntary funding partners and the Secretariat confirmed this was a fundraising priority.

The Chair proposed that the use of savings to cover provisions for outstanding contributions in the next triennium be considered annually with the figures revised.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee approve the following uses of 2020 core budget savings, described in document SC59 Doc.8.1 paragraph 42:

For 2021:

- CHF 25,000 for the development and production of World Wetlands Day 2022 resources;
- CHF 86,000 for improvements to the Convention's website.

For 2022:

- CHF 76,000 to cover the core budget gap for core activities of the Secretariat for 2022 (subject to the instructions of the Standing Committee regarding an extraordinary meeting of the COP);

Agenda item 9: SC59 doc.8.2 Status of annual contributions

The Secretary General briefly summarized the document, noting that the actions on group confirmation of outstanding contributions had been effective in meeting the auditor's requirements. The group welcomed the news that Contracting Parties in Africa had established a system to allocate the African voluntary contributions. The Chair recalled the upcoming review of the UN General Assembly's scale of contributions, which will come into effect in 2022 and will apply to the next full triennial budget.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee:

- ***take note of the status of annual contributions;***
- ***note the actions listed in paragraphs 14 and 15 on group confirmation of outstanding contributions as part of the audit process;***
- ***note the actions listed in paragraphs 17, 19, 20 and 21 to continue encouraging the payment of annual contributions;***
- ***note the change in annual contributions receivable and in the annual provision against contributions receivable; and***
- ***note the status of the African voluntary contributions.***

Agenda items 10, 11, and 12: SC59 doc.8.3 *Budget scenarios for 2022-2024 and draft resolution on financial and budgetary matters*

The Secretary General presented the three scenarios envisaged for the 2022-2024 triennium in document SC59 Doc.8.3. She noted from the previous discussions, and the Chair confirmed, that these scenarios would be considered for 2022 only, in an extraordinary meeting of the COP. Scenario A would include the Finance and Accounting Assistant Position but results in the gap in the core budget of CHF 76K per year to be used from the surplus of the 2019-2021 triennium, and presumes an increase of CHF 120 K in provisions per year. While the Scenario A includes the provision for staff performance bonuses, Scenario B would also include funds for increases in salaries as a result of staff performance management and promotions, and Scenario C would include COP15 hosting costs in the core budget.

The Subgroup supported Scenario A, at least for the 2022 budget. It supported presenting to the extraordinary meeting of the COP a single year rather than three year budget, as has been done by other Conventions during the pandemic. The Secretary General noted the limited means for performance awards under this Scenario, and that one-off awards but not salary increases could be supported without longer-term budget impact. She noted that both mechanisms are part of the IUCN guidelines and policies.

One member requested information on Secretariat staff retention levels to better understand how to address the challenge. Another member would welcome creative measures such as the use of any ongoing savings, while another noted that the reduction in staff number assumptions and establishment of salary/benefit-related adjustments and provisions for the triennium provides implicit coverage for compensation increases. The Secretary General noted that staff salary adjustments are implemented following internal and external equity and labor market analysis to align with IUCN policy, for example in the conversion of Secretariat Interns to Junior Professionals.

The group suggested amendments to the text of the document which would replace “shall” with “is to” (para. 11), “voluntary” with “non-core” (para. 20) and “outstanding dues” with “outstanding contributions” in annex 2 table 1; and refer to “Africa” regional representatives and add “referenced in para 24” after “funds” in para. 25.

The group recalled the need to follow the Rules of Procedure regarding deadlines for submitting documentation to an extraordinary meeting of the COP.

Recommendation for decision by the Standing Committee:

The Subgroup on Finance recommends that the Standing Committee:

- i. take note of the contents of document SC59 doc.8.3;***
- ii. request the Secretariat to prepare a one-year budget for 2022 for approval by the extraordinary COP based on budget Scenario A at 0% increase presented by the Secretariat; and***
- iii. request the Secretariat to prepare a draft resolution on the budget for approval by the extraordinary COP.***