

## **Financing of the Air Convention**

### **Note by the Executive Body Bureau in consultation with the secretariat**

This document has been prepared to support discussions by the Executive Body on the overall financing of the Air Convention, and in particular the current situation regarding available secretariat support. It aims to explain the different sources of funding for the Air Convention and the overall financial situation.

#### **Introduction**

The UNECE is the birthplace of the Convention and has supported it over the past 40 years, enabling the successful negotiation of its protocols and amendments, the growth in the number of Parties, as well as the expansion of its work into new areas, including a mechanism for monitoring compliance. The Convention has been extended by eight Protocols and subsequent amendments to them.

The success of the Convention is built on the continued and effective science-policy interaction. The Executive Body has established a robust scientific network including 14 scientific centres supported by 13 task forces, involving a large number of scientists working on various aspects such as atmospheric and ecosystems effects monitoring, modelling, emission data, technological solutions and cost estimates. This work is primarily done by the Parties, providing expertise, hosting of centres and a substantial amount of experts' work hours.

UNECE provides secretariat functions for the Air Convention, in accordance with its article 11. The secretariat plays an essential role for the Convention. It performs a long list of tasks, including:

- Convening the annual sessions of the Executive Body and the main subsidiary bodies and providing logistical support;
- Preparing meeting reports and documents, including preparation and follow-up on Executive Body decisions and review of draft documents for consistency and coherence;
- Circulating proposals for amendments and adjustments to Protocols, communicating adopted amendments to the Treaty Section;
- Advice on legal, procedural, substantive and institutional matters to elected officers, Parties and task forces/expert groups;
- Coordinating the workflow between scientific and policy bodies and facilitating the provision of inputs and reporting of respective task forces to the main subsidiary bodies;
- Implementing the financing mechanisms for funding the work of the scientific centres (EMEP Protocol and EB decision 2002/1);
- Supporting the Implementation Committee; reviewing emission data for compliance by Parties with their obligations, identifying cases of possible non-compliance with emission reduction and reporting obligations and taking necessary steps and liaising with parties concerned;
- Facilitate and monitor reporting by Parties on strategies, policies and measures employed to implement the protocols;
- Facilitating and supporting Parties with economies in transition to fully and actively participate in UNECE programmes and activities, e.g. building their capacity for ratification and implementation of the Convention's protocols;
- Performing communication and awareness raising activities;
- Liaison with other UNECE subprogrammes, UN entities and other international organizations on issues of relevance to the Convention's work.

#### **I. Financing of the Convention: overview of the current situation**

The Air Convention is funded through the following sources:

- Parties' contributions (cash and in-kind) under the EMEP protocol;
- Parties' contributions (cash and in-kind) to core activities other than the EMEP protocol via Financing decision 2002/1;
- Parties voluntary additional contributions, often to projects or programmes, or to secretariat support;
- Secretariat support and conference services via the UN regular budget.

**a) EMEP Protocol resources and the core activities other than those covered by the EMEP Protocol**

Parties to the Convention have provided considerable resources for core scientific activities, through the EMEP Protocol, and through decision 2002/1. The latter has succeeded in securing long-term financing for the effects-oriented activities (received cash contributions have increased from 335,127 USD in 2002 to almost 1,000,000 USD in 2021). It can be noted that the received sum often does not meet the expected budget amount. However, the budget is covered due to the fact that Parties are also making substantial in-kind contributions to these activities through hosting centres and task forces and supporting their activities.

The **EMEP Protocol** is legally binding for its Parties. The financing shall, according to the protocol “cover the annual costs of the international centres cooperating within EMEP for the activities appearing in the work programme of the Steering Body of EMEP”. Secretariat support is thus not covered via this protocol. Although the budget is adopted by consensus by the Parties every year, payments are not always made timely and almost completely.

The **2002/1 Financing decision** on core activities other than those covered by EMEP was adopted by consensus by the Executive Body. It is as such also binding on the Parties and should be respected. Similarly, the Parties adopt, by consensus, the annual budget for these core activities every year. The language of the 2002/1 financing decision is more open and does not explicitly exclude that this funding may be used also for secretariat support. The amount of these recommended contributions is decided by the Parties every year, by consensus; still, only around 40% of the contributions are received in cash paid to the trust fund. In addition Parties provide support directly to the centres.

The Trust Fund through which these activities are funded, is exceptionally subject to a 3% PSC instead of the 13%. For example, in 2021, this represents a saving of 306,012 USD for the Parties on the funds collected for EMEP and WGE activities (10% of 3,060,124, including 2,059,998 for EMEP and 1,000,126 for WGE).

**b) Voluntary extra-budgetary contributions**

In line with the strategic priorities of the Convention and the mandate of UNECE, Parties have, since 2010, been providing increasing funds to the secretariat to manage capacity-building and awareness-raising activities to e.g. promote the implementation and ratification of the Convention and its most recent protocols in the EECCA region. These activities have led to a significant improvement in the provision and the quality of emission inventories from the beneficiary countries. The availability of these inventories is used for modelling purposes and thus benefits all the Parties to the Convention. Other activities under the capacity-building programme include support to legislation analyses, national action plans, cost-benefit analyses, development of emission reduction commitments, workshops on BATs, and high-level awareness-raising activities, among others. Voluntary extra-budgetary contributions also finance several outreach and communications activities. Generally, the funds provided should and have included provisions for the necessary staff. In accordance with the proposed budget for 2022-2023, the necessary provisions for staff amount to 530,000 per year.

Voluntary contributions (extrabudgetary resources) are usually ad hoc and earmarked for specific projects or activities of the Convention’s workplan and in line with its Long-term strategy. They are highly valuable and much appreciated for enabling specific activities but are not suitable for ensuring long-term stability of core secretariat services. Today, 3 posts of the current Air Convention secretariat staff (amounting to 530,000 USD per year) are supported by extra-budgetary contributions, with short-term stability and high uncertainty.

**c) Secretariat support provided by the UN regular budget**

Normally the operation of MEAs is funded entirely by their respective Parties. The costs of the secretariat and meetings of the COP and other subsidiary bodies are funded by assessed “core” contributions, various programme activities are funded by voluntary contributions, and administrative (programme support) costs incurred in this process are generally funded through a fixed percentage (13%) of the total funds in accordance with UN financial rules and regulations.

The UN regular budget is exceptionally used for the provision of secretariat functions and conference services costs for UNECE MEAs through the environment subprogramme of UNECE. This is a unique privilege available only UNECE MEAs. This “subsidy” is a remarkable advantage compared to other MEAs, as it saves the Parties the direct costs of funding the secretariat, including the cost of office space and equipment, and conference services, as well as the 13% programme support costs (PSC). The regular budget posts and the conference services are paid for by the UN Member States, including those that are not Parties to the Air

Convention and who do not benefit from its work. However, there are also limitations and disadvantages. These resources are decided by the UN General Assembly and affected by UN budget decreases or times of low liquidity. Moreover, they are capped, and have historically declined in line with the general contraction of UN budget and in particular UNECE budget, and cannot be flexibly reallocated to cover changing needs.

Today, 4 posts of the current Air Convention secretariat staff are funded via the UN regular budget. These represent an amount of 754,100 USD per year.

## **II. Addressing the needs for strengthened resources: the way forward**

For a significant part of the 40 years of existence of the Convention, the resources from the regular budget have been sufficient, and the system of financing has worked well. It has enabled a highly successful and efficient operation of the Convention and the negotiation and implementation of its protocols.

However, over time, the gap between the increasing number of activities and the available resources has become accentuated. The resources and budget have not increased at the same rate as the number of centres/task forces and the legal activities (notably protocol reviews). The Air Convention is also the only UNECE MEA which continues to develop or update legal instruments and introduce new legally binding commitments, in addition to the substantial work on implementation, compliance, capacity building and promotion/awareness raising. Additional resources are required to ensure effective support to the review and revision of the key protocol(s) to the Convention, including the organization of additional sessions of the Working Group on Strategies and Review.

### **Main issues identified which merit discussion by the Parties:**

- The need to strengthen the financing of the Scientific activities
- The widening resource gap for the secretariat support covered by the UN regular budget, including the vulnerability of relying to such high extent on the UN regular budget (outside the Convention Parties' control)
- The amount of highly relevant and important secretariat work relying on short-term /ad-hoc extrabudgetary voluntary contributions

**On the science activities**, there is continued difficulty to ensure full funding of the work plan activities agreed by Parties. The repeated failure by some Parties to pay the contribution needs to be addressed. The current mechanism for the funding of core activities other than those covered by the EMEP Protocol may need to be reconsidered to strengthen the continuity and ensure high quality delivery of e.g. the effects work.

**On the secretariat support**, the current resource gap has hindered the smooth performance of core secretariat functions, including the organisation of additional meetings in relation to the review and possible revision of the Gothenburg Protocol.

There are also strong signals from the secretariat that the current situation means that quality of secretariat outputs will continue to decrease because the staff is stretched; the staff funded by the extrabudgetary resources must also deal with the uncertainty of ad hoc funding to secure their contracts. Priorities therefore have to be made and status quo is not a sustainable option.

**Options for going forward are to increase the shared financing of the secretariat by Parties or to decrease or eliminate certain activities or services from the secretariat.**

In discussing the different options for funding of the secretariat resources, the following aspects should be taken into consideration:

- (i) The funding should be long-term, stable, predictable and shared by all Parties, i.e. via the commonly accepted UN scale of assessment;
- (ii) It would be more efficient to make use of already established funding mechanisms under the Convention (unique amongst UNECE MEAs);
- (iii) The funding should be at a sufficiently high level so that it can be collected through assessed contributions without excessive administrative costs.

Finally, it should be noted that Parties will continue to have the possibility to – and be encouraged to - provide additional voluntary funding for specific activities, events, travel support for participants, etc. These would continue to be channelled through the existing projects and trust funds and will carry a 13 % PSC rate.

The aim is to secure a fully functioning Air Convention, resilient and efficient for the longer term.

**The EB Bureau therefore recommends the Parties at the Executive Body to:**

- Reflect and share their views on the current financial situation;
- Request the EB Bureau to assess the situation in further detail and, based on the guidance by the Parties at the 41<sup>st</sup> session of the Executive Body, develop a proposal on options for a solution;
- Request the EB Bureau to present their findings to the WGSR 60 for further discussion by the Parties.

It should be noted that, to secure the possibility of a second WGSR meeting in 2023, a decision on the solution is needed latest at the EB42, December 2022.