



Economic Commission for Europe**Meeting of the Parties to the Convention on
the Protection and Use of Transboundary
Watercourses and International Lakes****Tenth session**

Ljubljana, 23–25 October 2024

Item 11 of the provisional agenda

Financing of the Convention**Draft decision on a process towards a more sustainable and
predictable financing mechanism of the Water Convention's
work****Prepared by the Bureau with the support of the secretariat***Summary*

Over the past thirty years, the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention) has significantly advanced transboundary cooperation and climate action, as well as promoting sustainable development. However, the fact that work under the Convention is mostly funded from extrabudgetary resources limits its efficiency and impact. With the Convention's globalization, the number of Parties thereto has increased in recent years and will continue to do so. Although this is a very positive development, it entails a rise in the number of demands to be responded to through the Convention's programme of work.

Acknowledging the challenges related to financing, the Meeting of the Parties, at its ninth session (Geneva (hybrid), 29 September–1 October 2021), adopted targets for a more sustainable and predictable funding of the work under the Convention (ECE/MP.WAT/63/Add.2, decision IX/3). Despite some limited improvements since their adoption, the targets are still far from being achieved.

In the light of the above, and following suggestions made at the event marking the thirtieth anniversary of the Water Convention (Tallinn, 30 June 2022), the Convention's Bureau discussed various options and agreed that a more predictable and sustainable funding mechanism of the Water Convention was necessary, including through a mandatory contribution scheme.^a

A Note on the usefulness of a more predictable and sustainable funding mechanism of the Water Convention (ECE/MP.WAT/WG.1/2024/INF.6-ECE/MP.WAT/WG.2/2024/INF.6), prepared by the Bureau with the support of the secretariat, was presented to the fifth joint meeting of the Working Group on Integrated Water Resources Management and the Working Group on Monitoring and Assessment (Geneva, 6–8 May 2024). The Working Groups entrusted the Bureau to develop a draft



decision defining a process towards a more sustainable and predictable financing mechanism of the Water Convention's work, entailing a mandatory financing scheme, for consideration by the Meeting of the Parties at its tenth session.^b Such a decision should include the establishment of an open-ended financing group mandated to prepare the proposal for the financing mechanism, including a mandatory contribution scheme, for consideration and possible adoption at the eleventh session of the Meeting of the Parties to the Water Convention in 2027.

The present document includes an analysis of the challenges related to the current financing of the Convention's work and, in its annex, a draft decision defining a proposed process towards a mechanism for future financial sustainability of the work under the Convention.

The Meeting of the Parties is invited to consider the draft decision contained herein with a view to its adoption.

^a ECE/MP.WAT/WG.1/2022/2–ECE/MP.WAT/WG.2/2022/2, para. 122.

^b ECE/MP.WAT/WG.1/2024/2–ECE/MP.WAT/WG.2/2024/2 (forthcoming).

I. Introduction

A. Importance of financing the programme of work of the Water Convention

1. With increasing climate change impacts and other pressures on limited water resources, sustainable water management and transboundary water cooperation are becoming ever more critical for sustainable development, climate action, peace and regional integration, as recognized at, for example, the United Nations Conference on the Midterm Comprehensive Review of the Implementation of the Objectives of the International Decade for Action, “Water for Sustainable Development”, 2018–2028 (New York, 22–24 March 2023). The Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention) plays a crucial role in this regard.

2. According to the third reporting exercise on indicator 6.5.2 of the Sustainable Development Goals on transboundary water cooperation in 2023–2024, of the 26 countries worldwide that have all their transboundary waters covered by operational arrangements for water cooperation, 20 are Parties to the Convention. Around 100 transboundary water cooperation agreements have been signed since the entry into force of the Water Convention in 1996. More than 6,000 experts have been trained on international water law, water management, climate change adaptation, the nexus approach, dam safety and other areas through the capacity-building activities under the Water Convention. In all, about 130 countries participate in meetings and activities of the Convention.

3. Parties derive numerous direct and indirect benefits from the programmes of work of the Water Convention, strongly justifying its financing. Countries benefit from capacity-building in various technical areas and from the exchange of experience offered by the Convention’s intergovernmental framework. They also receive legal, technical and policy advice from the Implementation Committee and the secretariat, the different intergovernmental bodies and global, regional and national workshops. Additionally, they have access to over 50 publications, guidance materials and tools developed under the Convention, as well as a broad range of in-country support activities in various technical domains. The intergovernmental framework and meetings of the Water Convention also provide numerous opportunities for networking, the establishment of new partnerships, donor relations and potentially fundraising, among many other indirect benefits.

4. In 2016, the Water Convention was opened for accession to all States Members of the United Nations, following the entry into force of the amendments adopted in 2003 by the Meeting of the Parties. Since 2016, 13 countries from outside the pan-European region have acceded to the Convention, bringing the total number of its Parties to 54. In addition, more than 20 countries are in the process of joining the Convention, including 2 where accession has already been approved by the respective Council of Ministers.

5. To address the increasing needs of and requests from a growing number of Parties, the activities and programme areas under the Convention have been expanded significantly over the years. In the period 2022–2024, the Convention’s work programme encompasses 7 programme areas, including 15 subprogramme areas, ranging from climate change adaptation to financing transboundary water cooperation. In addition, an Implementation Committee and a reporting mechanism were introduced by the Meeting of the Parties, respectively at its sixth session (Rome, 28–30 November 2012)¹ and its seventh session (Budapest, 17–19 November 2015).²

6. Relying mostly on voluntary extrabudgetary contributions, which are unpredictable and require extensive fundraising efforts, has become a limitation for the timeliness, efficiency and impact of the programme of work’s implementation. The globalization of and the increasing number of Parties to the Water Convention, as well as the expanded number of activities, make a more sustainable, adequate and predictable financing, namely a

¹ ECE/MP.WAT/37/Add.2, decision VI/1 on support to implementation and compliance.

² ECE/MP.WAT/49/Add.2, decision VII/2 on reporting under the Convention.

mandatory financial contributions scheme, crucial for the future of the Convention. This was also among the conclusions of the Convention's thirtieth anniversary event (Tallinn, 30 June 2022).³ Such a scheme is key for the effective implementation of decisions of the Meeting of the Parties, the continuity of Convention activities and the efficient planning of processes, as well as for attracting and retaining qualified staff in the secretariat.

B. Current funding situation of the Water Convention and progress on the targets for a more sustainable and predictable funding of the work under the Convention

7. The Water Convention, the secretariat of which is hosted by the United Nations Economic Commission for Europe (ECE), benefits from some limited resources from the United Nations regular budget. This includes two-and-a-half permanent staff member positions in the secretariat, costs for approximately three publications per year, including their translation into French and Russian, costs related to the translation into and publication in French and Russian of a number of official documents, as well as the costs of holding a number of official meetings, including interpretation into French and Russian. However, this represents only a small part of the overall budget.

8. The large majority of all other costs are covered from extrabudgetary resources. In addition, over the years, the United Nations regular budget for ECE has progressively decreased. For example, office costs previously covered by the regular budget now need to be paid separately from extrabudgetary resources. Similarly, certain services provided by the United Nations Office at Geneva are now being charged for and need to be covered from extrabudgetary resources. It is not unlikely that, in the future, further Convention costs that are currently covered by the United Nations regular budget will need to be covered by extrabudgetary contributions.

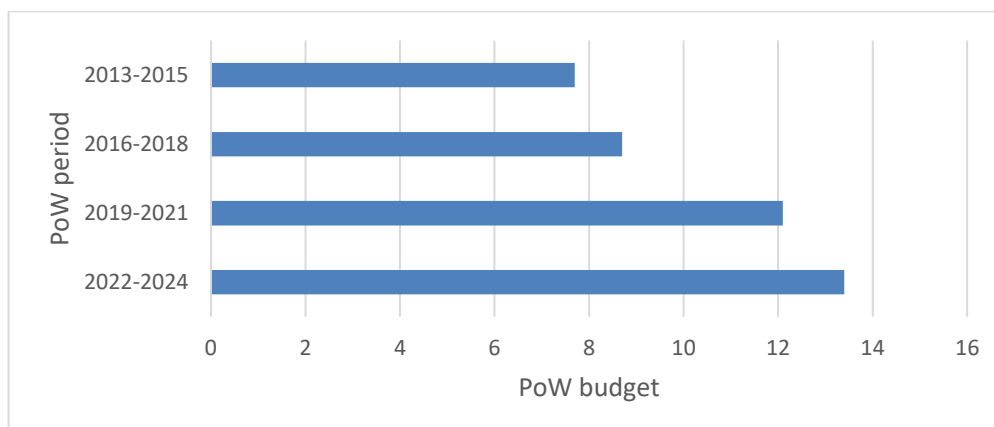
9. In addition, some Parties provide valuable in-kind contributions (e.g., through the provision of Junior Professional Officers and the hosting of Convention meetings and workshops).

10. The Parties commit to financing the programme of work when adopting it and its budget every three years.⁴ As shown in figure 1, the programme of work budget has increased by 74 per cent between 2013–2015 and 2022–2024.

Figure 1

Evolution of Water Convention programme of work budget

(Millions of United States dollars)



Abbreviations: PoW, programme of work.

³ ECE/MP.WAT/WG.1/2022/2–ECE/MP.WAT/WG.2/2022/2, para. 122.

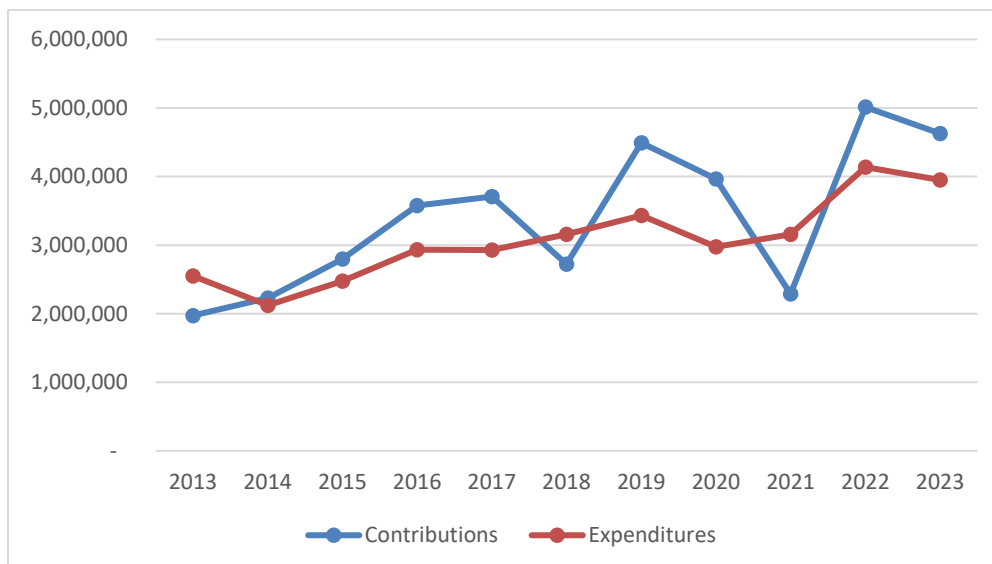
⁴ See ECE/MP.WAT/54, para. 103 (g), and Add.1.

11. Similarly, in the past ten years, both contributions and expenditures have significantly increased (see figure 2). In some years, expenditures exceeded contributions, demonstrating the need for a reserve.

Figure 2

Evolution of contributions and expenditures (2013–2023)

(United States dollars)



12. The overall financial support provided by Parties has therefore increased over the years, following a trend similar to that for the programme of work budget. The Bureau and the secretariat are very grateful for all contributions received. However, the fact that the Convention is financed mainly through voluntary contributions – which are, by nature, subject to the discretion of Governments – poses significant challenges.

13. First, the burden of supporting the Convention’s activities is not fairly shared. Only slightly more than a third of all Parties currently contribute financially to the trust fund (19 out of 52 Parties in 2023). In 2022–2024, a large part of the Convention budget has been covered by a few main donors.

14. Second, raising and managing voluntary contributions is very time-consuming and resource-intensive, detracting from the actual work of supporting programme of work implementation. For instance, some contributions are earmarked for specific activities or projects, and this entails additional administrative procedures, increasing the workload of the secretariat staff. In addition to preparing standard regular reporting to the Meeting of the Parties, the Working Group on Integrated Water Resources Management and the Bureau, the secretariat needs to prepare dedicated reporting for earmarked contributions. Above all, the secretariat needs to invest significant time and resources in raising funds for the implementation of the programme of work, including by preparing project proposals and fulfilling associated administrative requirements (agreements and reporting). For example, in the period January 2022–April 2024, more than 20 fundraising proposals were prepared by the secretariat, over a quarter of which were not funded in the end.

15. Acknowledging these challenges, the Meeting of the Parties, at its ninth session (Geneva (hybrid), 29 September–1 October 2021), adopted targets for a more sustainable and predictable funding of the work under the Water Convention (ECE/MP.WAT/63/Add.2, decision IX/3). It also entrusted the Working Group on Integrated Water Resources Management with the task of regularly reviewing progress towards the targets, and decided to review the targets, in the light of the progress achieved, at its tenth session.

16. Below are presented numbers for 2022–2023 for progress towards the targets adopted in 2021. Despite some limited improvements since their adoption, the targets’ indicators for the period 2022–2023 reveal trends that are largely unfavourable, and some targets remain far beyond reach:

- **Targets of objective 1:** By 2024, at least 50 per cent of all Parties finance the programme of work. By 2030, at least 66 per cent of all Parties finance the programme of work.

Baseline (2016–2018): 38 per cent.

Present (2022–2023): 36 per cent.

Developments since the adoption of the targets: Since the baseline period, the number of Parties to the Convention has increased by 10, while the number of Parties financing the programme of work has increased only by 2. Therefore, the percentage of Parties financing the programme of work is still far from the target of 50 per cent by 2024. In fact, the number of Parties contributing decreased by 2 per cent compared with the baseline period.

- **Targets of objective 2:** By 2024, 50 per cent of all Parties contribute regularly to the implementation of the programme of work. By 2030, 66 per cent of all Parties contribute regularly to the implementation of the programme of work.

Baseline (2016–2018): 26 per cent.

Present (2022–2023): 28 per cent.

Developments since the adoption of the targets: An increase of 2 per cent has been recorded for this indicator between the baseline period and the current period. There is still a long way to go before the target of 50 per cent of all Parties contributing regularly to the implementation of the programme of work by 2024 is reached.

- **Targets of objective 3:** By 2024, 50 per cent of all contributions are unearmarked and do not require individual reports. By 2030, 66 per cent of all contributions are unearmarked and do not require individual reports.

Baseline (2016–2018): 17 per cent.

Present (2022–2023): 49 per cent.

Developments since the adoption of the targets: On a more positive note, there has been a substantial increase in the number of unearmarked contributions compared to the baseline period (+32 per cent), so this target has almost been met. However, the amount of contributions not requiring reports corresponds to less than one third of the total amount of contributions received for the current reference period.

17. Thus, overall, while for one indicator the target has almost been met, one is still far from its target and for the first, most important target, the percentage has even gone down. Thus, it is very likely that the targets will not be met by the first deadline of 2024.

C. Comparison with other global multilateral environmental agreements

18. All the main global multilateral environmental agreements (e.g., the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Convention to Combat Desertification, the Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention), the Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Stockholm Convention on Persistent Organic Pollutants) have mandatory contribution schemes, as do recently adopted multilateral environmental agreements, such as the Minamata Convention on Mercury.

19. Moreover, some of these agreements distinguish between a core budget, financed from mandatory contributions, and a non-core budget, financed from additional

extrabudgetary resources. The scale of contributions to the core budget is usually based on the United Nations scale of assessment.⁵

D. Proposed way forward

20. In the light of these considerations and to address the above-mentioned challenges, the Bureau of the Water Convention proposes the establishment of an open-ended ad hoc working group on sustainable financing. This group would develop a proposal for a more predictable and sustainable funding mechanism, entailing a mandatory financial contributions scheme, through an inclusive and transparent intergovernmental process.

21. The proposed approach aims to enable the Water Convention to continue its essential work effectively, also considering its global opening. The mechanism should secure the necessary financial stability and predictability to support the Convention's expanding activities, ensure the continuity of the secretariat, and maintain the quality and impact of its programmes. A mandatory contribution scheme would align the Water Convention with other successful multilateral environmental agreements, ensuring that all Parties share the financial responsibilities fairly and sustainably.

II. Draft decision on a process towards a more sustainable and predictable financing mechanism of the Water Convention's work

The Meeting of the Parties to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes,

Recalling article 17 (2) (f) of the Water Convention,

Recalling also decision III/2,⁶ which established a trust fund under the Convention for voluntary contributions to support the promotion and effective implementation of the Convention,

Recalling further decision IX/3,⁷ which defined targets for a more sustainable and predictable funding of the work under the Convention, urged all Parties to provide regular and unearmarked financial contributions to the trust fund, and entrusted the Meeting of the Parties with the task of reviewing the targets, in the light of the progress achieved, at its tenth session,

Regretting the fact that unpredictable voluntary financial contributions to the trust fund and the resulting uncertainty for planning and implementation of activities and for the continuity of the secretariat present a challenge to the effective implementation of the Convention's programme of work,

Noting that all Parties commit to financing the programme of work when adopting it and its budget at the triennial sessions of the Meeting of the Parties,

Recognizing the many benefits of financing the programme of work of the Convention,

Considering that the financing of all the main global multilateral environmental agreements relies on mandatory contribution schemes,

⁵ The United Nations regular budget is financed by States Members of the United Nations. The formula that determines how much each country contributes to the regular budget is called the "scale of assessments". The formula is based on countries' economic capacity, and is prepared strictly on the basis of reliable, verifiable and comparable data. The scale is revised and adopted every three years. By its resolution 76/238 of 24 December 2021 (A/RES/76/238), the General Assembly adopted the scale of assessments for the apportionment of the expenses of the United Nations for 2022, 2023 and 2024.

⁶ ECE/MP.WAT/15/Add.1, annex II.

⁷ ECE/MP.WAT/63/Add.2.

Determined to ensure that the transformation of the Convention into a global instrument is accompanied by appropriate mechanisms that support its effective implementation at the global level,

1. *Reiterates* the need to set up a more sustainable and predictable financing mechanism of the Convention's work;
2. *Decides* to establish an Ad Hoc Working Group on Sustainable Financing that is open-ended in nature, with the aim of developing, through an inclusive and transparent intergovernmental process, a proposal for a more sustainable and predictable financing mechanism of the Convention's work, entailing the establishment of a mandatory scheme for financial contributions, for consideration and possible adoption by the Meeting of the Parties at its eleventh session;
3. *Also decides* that the composition, structure and organizational arrangements of the Ad Hoc Working Group on Sustainable Financing shall be those set out in the annex to the present decision;
4. *Encourages* Parties and prospective Parties to contribute to the development of the proposal by participating in the Ad Hoc Working Group and invites them to inform the secretariat of the names of their representatives in that regard by 15 January 2025;
5. *Entrusts* the Working Group on Integrated Water Resources Management with the task of regularly reviewing progress in the development of the proposal;
6. *Decides* to consider the Ad Hoc Working Group's proposal for a more sustainable and predictable financing mechanism at its eleventh session, with a view to adopting a decision in that respect.

Annex

Composition, structure and organizational arrangements of the Ad Hoc Working Group on Sustainable Financing

1. The Ad Hoc Working Group on Sustainable Financing (the Group) shall comprise representatives nominated by Parties and prospective Parties to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention). Participation in the Group is open to all Parties and prospective Parties to the Water Convention.
2. The Ad Hoc Working Group shall carry out its mandate until the eleventh session of the Meeting of the Parties to the Convention.
3. The Group shall, on the occasion of its first meeting, elect two Co-Chairs – one from a developed country Party and one from a developing country Party – to serve in that capacity until the eleventh session of the Meeting of the Parties.
4. Should a Co-Chair resign during, or be unable to complete, his or her term of office, the Group shall elect a successor until the next session of the Meeting of the Parties.
5. The Group shall work in English only.
6. The Group shall meet mostly through online meetings. In-person meetings shall be organized in conjunction with existing meetings of the Convention's bodies or global workshops organized under the Convention.
7. The Group shall interact, as appropriate, with other interested actors, including secretariats of other global multilateral environmental agreements with mandatory financial contribution schemes, in order to draw on their experiences.
8. At the end of each meeting, the Group shall set tentative dates for its next meeting, to be publicized on the Convention website.
9. The Group shall report annually on its progress to the Working Group on Integrated Water Resources Management.
10. The Group shall submit a final report on the results of its work to the Meeting of the Parties at its eleventh session, including a proposal and relevant draft decision for the establishment of a mandatory financial contributions scheme for a more sustainable and predictable financing mechanism of the Convention's work, for consideration and possible adoption by the Meeting of the Parties.