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Overview of Financial Challenges of Regional Seas Secretariats

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1.0 Introduction

1.1 Rationale

At the 6th Global Meeting of the Regional Seas the financial status of the future of the Regional Seas was discussed and decided that sustainable financing and, specifically, mobilizing domestic resources be the focus of the 7th Global Meeting of the Regional Seas.

The objective of the 7th Global Meeting of the Regional Seas is to discuss and explore ways to strengthen the long-term sustainability of the Regional Seas Programmes (RSPs) and the sustainability of the implementation of their programmes at the national level. The meeting will focus on the three elements of financing demands (RS secretariat costs, programmes and national implementation). The main focus will be on the national demands for financing the RS programmes and building sustainable financing mechanisms for these.

Sustainable financing is one of the cornerstones of strengthening the RSP at the global level as reflected in the agreed Strategic Directions 2004-2007 (Box: Strategic Direction 2)

The RSPs need the financial capacity to be strategically adaptive and proactive to effectively fulfill their responsibilities towards the priorities identified in relevant UNEP Governing Council decisions, to contribute to achieving the relevant targets of Agenda 21, the WSSD Plan of Implementation and the Millennium Development Goals, and in reconciling global conservation priorities with the realities of implementation at the regional level.

<p><u>Strategic Direction 2:</u> Enhance the sustainability and effectiveness of RSP through increasing country ownership, incorporating Regional Seas conventions and protocols into national legislation, promoting compliance and enforcement mechanisms, involving civil society and the private sector, building capacities, ensuring viable national and international financial arrangements, as well as developing assessment/evaluation procedures where appropriate.</p>
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Due to expanding programmes of work as a result of changes in the development agenda, the state of the coastal and marine environment, the international policy framework, scientific knowledge, as well as socio-economic realities and trends, the RSPs face a series of financial challenges such as:

- i. Financing of the core activities of the secretariats (i.e. personnel, operating costs/housing, meetings, and reporting).
- ii. Financing the Regional Seas Programme of Work (POW) as agreed by the Conference of the Parties (COPs) and/or Governing Bodies of the Regional Seas Conventions and Action Plans (RSCAPs)
- iii. Financing the implementation of conventions and other agreed activities.

2.1 Scope of Work

This paper is based on financial information provided by RSPs for the purpose of exploring ways to strengthen financing of the RS activities at the three levels presented above, serving as background information for the 7th Global Meeting of the Regional Seas. A call letter was sent out on 1 July 2005 kindly requesting all RSPs to share their respective experience on financing (i) secretariat costs; (ii) budget and programme of work; and (iii) implementation of conventions and other agreed activities. The main purpose is to disseminate concrete experiences to assist in illustrating problems, trends and development paths as an input into the discussion on sustainable financing and ways to mobilize domestic resources of the RSPs.

COBSEA (East Asian Seas), CEP (Wider Caribbean), HELCOM (Baltic Sea), MAP (Mediterranean), OSPAR (North-East Atlantic), and PAME (Arctic) responded to this call letter and provided annual budgetary information for the period 2000-2004.

This paper provides a snap-shot of financing within the environment sector and background information on the UNEP Regional Seas Programme followed by description of the budgetary information provided by RSPs. The RSP incomes and expenditures are discussed, and examples

provided on the status and mechanisms used, followed by a short summary and general discussion points.

2.0 Financing within the Environment Sector

Financing for the environment comes from various sources such as the public and private sectors, civil society and sources of international funding. Most environmental services are financed through user recovery (fees and charges) or public sector transfers (direct transfers, subsidies, grants, or guarantees). To a large extent, the demand for financing reflects society's ability to enforce regulations and users/polluters willingness to comply with these regulations, including voluntary approaches and/or voluntary financing. The demand for environmental financing from enterprises (public and privately owned) depends, to a large extent, on the enforcement of and compliance with regulations as well as the amount of available retained earnings to finance the needed activities. In addition, some foreign donor resources may be available usually to initiate capacity and institutional activities, support investment, and soften International Financial Institution (IFI) loans.

Limited availability of environmental financing is a main obstacle to increasing environmental protection. Globally, the reality is that budget numbers show declining international commitment to the environmental cause and broader, overall stagnation in official development assistance (ODA). The gap between the ODA pledged by the international community and actual contributions has remained largely unfilled. Regionally and nationally the deficiencies are mainly due to the relatively low effective financing available from the public sector, enterprises, and users of environmental services (i.e. lack of willingness and/or lack of ability to pay, and weak enforcement of regulations). When money is scarce, issues such as housing, education and health care often take priority over the environment.

Thus, although developed and developing countries share a common understanding of the causes of global environmental change, the developing nations are usually overburdened by domestic developmental problems to give priority to measures that specifically protect the environment. The general feeling in the international community is that northern countries will have to provide the South with 'new and additional' sources of finance, if global environmental problems are to be resolved and sustainable development encouraged.

The environment is central to the Millennium Development Goals, both in the specifics of Goal 7 ("Ensure Environmental Sustainability") and in the linkages of the environment with the other goals. It should be apparent that the environment and economy are inextricably bound to each other; in the long run, deterioration of natural assets will lead to erosions of economic and social welfare (thus the need for innovative management strategies that encourage sustainable practices).

There are several constraints, which could explain why the various sources of finance may not be attracted to the environment sector. The issue of political risk and poor governance seems to be the most important constraint that impedes the flow of finance into environment-related investments. These risks reflect the fact that political interference and unstable regulatory regimes can greatly alter the operating environment, impacting the ability to source finance for sustainable water projects.

In low and medium income countries environmentally related expenditure as a share of national income may be comparable with high-spending countries, though absolute levels are very low. This suggests that it is often the willingness, but sometimes also the ability to pay, linked to low income, that is the main constraint towards higher levels of domestic environmentally related expenditure, in particular within the water and sanitation sector.

Additional constraints could be due to:

- Low priority of environment in public sector spending (national and local) due to competing interests with other sectors such as health and education as a result of acute scarcity and accumulated external debt burden.
- Weak revenue generation from existing environmentally related charges, as the aggregated revenue-raising capacity is usually too small to create a critical mass of resources to support significant investments.

- Low levels of ODA/IFI¹ and FDI² to the developing countries as a result of weak demand by countries for environmental assistance.
- Centralization of financing possibilities of environmental activities reflects the lack of financial autonomy at the local government/municipality level and offers weak incentives to sub-national levels of government for responsible, long-term environmental management.
- Lack of accounting for costs of externality from environmental degradation such as health costs, loss of ecosystem services, tourism etc.

3.0 The UNEP Regional Seas Programme

At present, there are 18 regional programmes, 13 of which were established under the auspices of UNEP: the Black Sea, Wider Caribbean, East Africa, East Asian Seas, ROPME Sea Area, Mediterranean, North-East Pacific, North-West Pacific, Red Sea and Gulf of Aden, South Asia, South-East Pacific, South Pacific, and West and Central Africa. Furthermore, five independent partner programmes for the Antarctic, Arctic, Baltic Sea, Caspian Sea and North-East Atlantic Regions are members of the Regional Seas family.

Six of the UNEP RS programmes (Caribbean, East Asian Seas, East Africa, Mediterranean, North-West Pacific and West & and Central Africa) are directly administered by UNEP. This means that UNEP has been given responsibility for secretariat functions, usually through a Regional Coordinating Unit established in the region. For these Regional Seas programmes, UNEP/RSP is also accountable for administering the Trust Funds and provides financial and budgetary services, as well as provides technical backstopping and advice, and hence is more closely and directly involved in all their projects and activities.

UNEP, together with selected United Nations and other organizations, provides “seed money” or catalytic financing in the early stages of the regional programmes. Ultimately, the Governments of the region are expected to assume financial responsibility. Government financing may be channeled through regional trust funds administered by the organization responsible for secretariat functions of the Action Plan (often initially UNEP, later the RCU or a new independent regional organization).

3.1 Organizational Structure

The Regional Seas programmes reflect a similar approach and function through an Action Plan, yet each has been tailored by its own governments and institutions to suit the region’s particular environmental concerns and challenges as well as its socio-economic and political situation. They cover issues ranging from chemical wastes and coastal development to the conservation of marine life and ecosystems. A regional umbrella convention on specific problems most often provide the legal framework for an Action Plan and expresses the political will and legal commitment of the Governments to tackle their common environmental problems, acting both together and individually. Conventions are put into practice ‘on-the-ground’ and associated protocols may deal with specific problems such as oil spills, response to emergencies, land-based pollution, and conservation of wildlife and habitats.

Generally the member governments of respective RSPs agree upon an organization to act as the permanent or interim secretariat of the Action Plan, (the Regional Coordinating Unit (RCU) or Secretariat) and decide how often to hold intergovernmental meetings to review progress, approve new activities and discuss the budget.

4.0 Regional Seas Incomes and Expenditures

Traditionally, a mix of RSP member country payments, UN contributions, GEF funding and other multilateral and bilateral donor contributions has financed the RS secretariats’ core costs and their programmes. With increased commitments through evolving challenges and priorities in addressing

¹ International Financial Institutions

² Foreign Direct Investment

emerging issues there is a need to explore ways towards sustainable financing of the RSPs in particular with respect to move towards funding from countries in the region.

RS secretariats have the overall and practical responsibility for the implementation of the decisions of member countries (or contracting parties) regarding the operation of their respective action plans. The RSPs have running costs, which cannot be avoided no matter how little financing is available and generally include:

- i. Financing core activities of the secretariats
- ii. Financing the Regional Seas programme of work as agreed by COPs and IGM.
- iii. Financing the implementation of conventions and other agreed activities at national level.

Although the RSPs reflect a similar approach, with a secretariats' function overseeing and facilitating their respective activities, each has been tailored by its own governments and institutions to suit their particular environmental challenges. In addition, the financial arrangements of the RSPs vary from region to region as respective member countries have very different economic structures and are at very different stages of development, hence a financial solution that may work for one country/region may not be appropriate or even possible in another country/region. For these operations to run it is necessary to secure stable and sustainable funding which will facilitate the activities expected of the secretariat.

4.1 Budgetary information provided by RSPs

The budget information provided by the RSPs varied in detail and are not presented as individual itemized budgetary information but rather compiled into the following four main categories for illustration purposes and comparison:

- Staff costs (including consultants and sub-contracts)
- Accommodation and equipment (including office services, rent and maintenance of the office, communication, material and equipment)
- Travel and meeting expenses (including support and translation)
- Miscellaneous (including audit, bank charges etc.)

Some of the RSPs provided breakdowns of their project costs but no comparison between regions was attempted as this reflects primarily the way in which the budget information is set forth. For example, in some regions the project costs are met directly by individual contracting parties and do not appear in their annual budgetary information. But this in no way reflects the activities, or lack thereof, in those regions.

Also, no attempt was made to compare the funding resources of the RSPs as the methods used to determine contributions from its member states vary greatly, from voluntary contributions based on a proposed "base figure" to methods based on the UN scale of assessment as agreed to by the General Assembly of the United Nations. The income sources of the RSPs presented in the next section illustrate the different mechanisms used.

4.2 Funding resources of the RSPs

RSPs rely primarily on contributions from the member states to fund their secretariat budgets. The mechanisms used to decide on the amount of contributions vary between regions. Contributions from international organizations such as the World Bank and GEF directed towards specific projects may represent a part of the RSPs project portfolio.

The potential funding resources can be both in-cash and in-kind and may consist of the following:

- (a) regular contributions from participating governments to the RSPs Trust Fund, according to a scale determined;
- (b) *ad hoc* contributions made in addition to annual pledges [outlined in (a) above] from the participating governments;

- (c) support from UNEP;
- (d) contributions from governments supporting the Action Plan but not participating in it;
- (e) support from any other United Nations organization on a project-funding basis;
- (f) support from the regional and global organizations which are not part of the United Nations System (e.g. World Bank) in most cases on a project-funding basis;
- (g) support from specific international funds (e.g. GEF); any other source of funding that may be agreed to by the participating governments.

Below are examples of funding resources that illustrate the differences and complexity of the funding structures of the RSPs.

CEP

In the case of the CEP, the main source of funding is the Caribbean Trust Fund (CTF), which is administered by the UNEP Caribbean Regional Coordinating Unit in Kingston, Jamaica via UNEP Headquarters in Nairobi, Kenya. The CEP was initially funded under UNEP's Environment Fund, but the programme was designed to sustain long-term support from its member governments and organizations. Funding from a variety of other sources, including other international organizations, governments and non-governmental organizations, has also supported the objectives of the CEP Action Plan. The Action Plan is also partially funded by national counterpart contributions to projects implemented at a national level.

Today, the governments of the Wider Caribbean Region help to meet the basic financial operating costs of the Regional Coordinating Unit through voluntary contributions to the CTF. These levels of contribution are established during the biennial Intergovernmental Meetings of the CEP. But inconsistencies in actual and expected annual contributions to the CTF as shown in Figure 1 illustrate the funding uncertainties the Secretariat faces. This is by no means unique for CEP. In an effort to assist delinquent member states the CEP Secretariat does accept in-kind contributions. Examples of such contributions include the hosting of CEP meetings as well as providing secretarial services to these meetings. Secretarial services can be in the form of personnel (secretaries, interpreters, translators) or equipment (computers, printers, photocopy and fax machines).

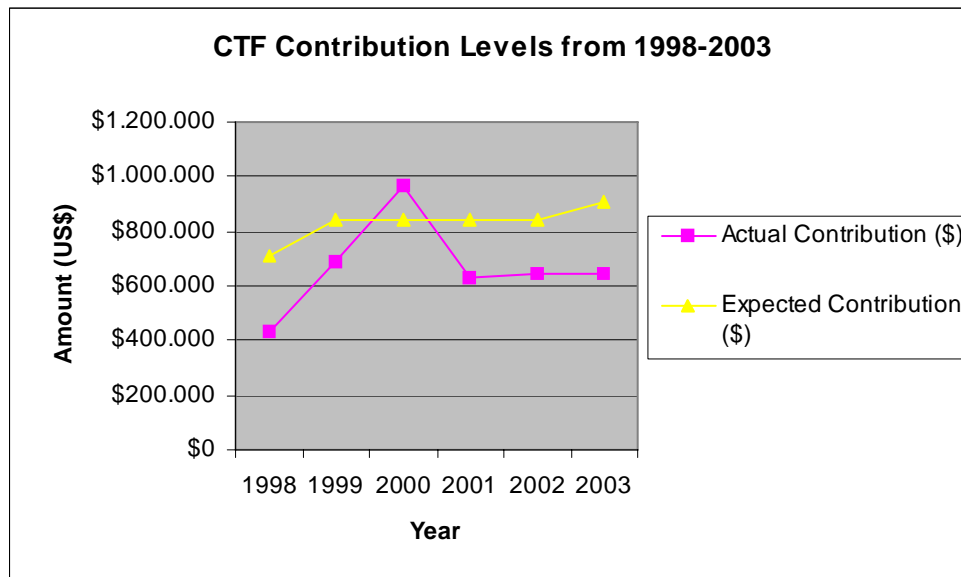


Figure 1. Comparison of actual and expected contribution to the CTF³

³ From the 2005 CEP paper on: *Financing of the Regional Seas, their programmes and national implementation of the conventions/protocols.*

OSPAR

Apart from bank interest and sales, OSPAR⁴ relies on contributions from the contracting parties to fund its budgets. The mechanism used by OSPAR to decide on contributions from its member states is a result of striking a balance between the following two different principles: Contracting parties should contribute according to their economic status and Contracting parties have equal voices in the OSPAR Commission and should therefore contribute equally. The OSPAR Commission has therefore agreed on the following for the general budget⁵:

- a. two-fifths (40%) of the budget is divided in equal shares (16 Contracting parties each pay 2.5% of the general budget);
- b. three-fifths (60%) is divided according to the size of the economies of the Contracting parties (the triennial assessment of the United Nations of the basis of contributions from member states is used for this purpose).

In addition, OSPAR has added refinements to this basic approach. For example, since the European Community does not have an economic base separate from its member states, it pays only the 2.5% share. Also, to prevent any one contracting party dominating the budget, a “cap” of 22% of the total general budget is applied to any one contribution.

This system, though complex, has been able to achieve, and maintain, unanimous agreement since the early 1990s. Its strength is that it means that small States know that they will not have to meet a disproportionate share, while large States know that small States cannot argue for increased expenditure without having to accept a reasonable share of the burden.

OSPAR maintains two funds: the General Fund and the Working Capital Fund. The General Fund is a way of dealing with the balances between years. The execution of the budget usually produces a small surplus (estimating is always a little on the cautious side), which is then most often used to reduce the contributions of the contracting parties a year later.

The Working Capital Fund is set at 10% of the total expenditure authorized in the general budget. This Fund has two purposes i.e. to provide a buffer against failure to pay or delays in contributions and to provide for unexpected expenditure.

PAME

The PAME Secretariat operates on annual voluntary contributions from the Arctic Council member states with approximately 50% of the operational costs contributed by its host, Iceland. PAME does not operate within a convention framework and all PAME projects are guided by Ministerial Declarations and further detailed in biennial work plans with identified lead country or countries which are then responsible for its expenditures.

COBSEA

Prior to the establishment of the East Asian Seas Trust Fund COBSEA is the Coordinating Body for the Seas of East Asia in 1982, and during the preparatory phase in the development of its Action Plan, resources from UNEP's Environment Fund were utilized in the implementation of a series of projects and activities. Since the establishment of the East Asian Seas Trust Fund, UNEP's support to the development of the Action Plan has continued. Over forty projects have been implemented, a few totally funded by the East Asian Seas Trust Fund but the majority partially funded by UNEP's Environment Fund. In recent years, since the tenth COBSEA meeting, 9-10 July 1993, (is this recent?) some projects have been funded from other external sources.

Since the establishment of the East Asian Seas Trust Fund in 1982, UNEP's support to the development of the Action Plan has continued. In the beginning the member states decided on the total contribution to the Trust Fund of US\$ 86,000. However, with the exception of a ten percent increase in

⁴ *Financing the OSPAR Commission*, Seventh Meeting of the Regional Seas Organisations, presented by the OSPAR Secretariat

⁵ After deducting the special contribution from the United Kingdom towards the costs of office accommodation.

1985 that raised the annual total contributions to US\$ 94,600, the level of contributions by the five member states to the East Asian Seas Trust Fund has remained the same. Five new countries joined COBSEA in 1994 and decided on total contribution in the amount of US\$ 42,000. The present status of annual contributions to the Trust Fund is at US\$171,600.

The need for increases in the contribution of the member states to the East Asian Seas Trust Fund has been regularly raised in the annual reports of UNEP's Executive Director to the COBSEA meetings. It has also been regularly stressed that UNEP, according to its mandate, is not a funding organization and contributions from its Environment Fund resources need to be utilized in addressing all the various global, regional and sometimes national environmental issues as seed funds for activities that at a later stage will be funded through other sources.

4.3 Financing core activities of the RS Secretariats

Financing the core activities of the RS Secretariats includes costs related to salaries for professional and support staff, housing, office supplies publications/reporting/information, travel and meeting-related activities (e.g. creating documents for meetings, organising meetings, preparing the records of meetings and reporting). Financing these activities varies from region to region, but overall it is becoming increasingly difficult to find funding for these core costs.

In the case of OSPAR, its general budget bears the overwhelming majority of its secretariat costs. Nevertheless, some secretariat costs are met directly by their individual contracting parties such as:

- a. the accommodation (including simultaneous interpretation) for meetings that they host and any hospitality that they offer;
- b. the costs of translating the summary records of such meetings; and
- c. the costs of travel, subsistence and overtime of the secretarial assistants that attend the meetings (but not those of the Executive Secretary and his Deputies).

CEP has been embarking on following cost-saving measures in an effort to offset some of the additional costs associated with core activities:

- Reducing costs for translation of documents by soliciting in-kind contributions of translation services from member countries as well as the CEP's Regional Activity Centers (RACs).
- Encouraging member governments to host meetings (with cash savings as an alternative to a full cash contribution to the CTF).
- Augmenting its workforce at no cost to the CTF by obtaining assistance from interns as well as secondment of Programme Officers from member countries, other UN/UNEP Agencies and donors.
- Ensuring that work plans are implemented within the bounds of available resources.
- Ensuring that funds exist for one year in advance of the current biennium, to allow for salaries of staff and other critical running costs.

The staff related costs (including consultant services) of those RSP that provided budget information varied from 50% up to 80% of the total budget over the period 2000-2004 as illustrated in Figure 2. These costs do represent the majority of the secretariats core costs and reflect the programme of work and cannot be avoided without affecting the activities expected of the secretariat.

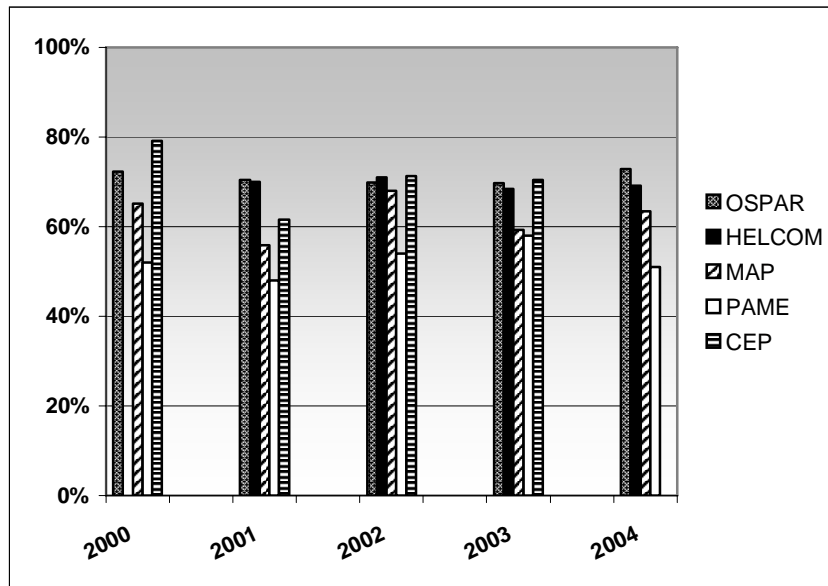


Figure 2. Staff related costs as a percentage of total Secretariats budgets

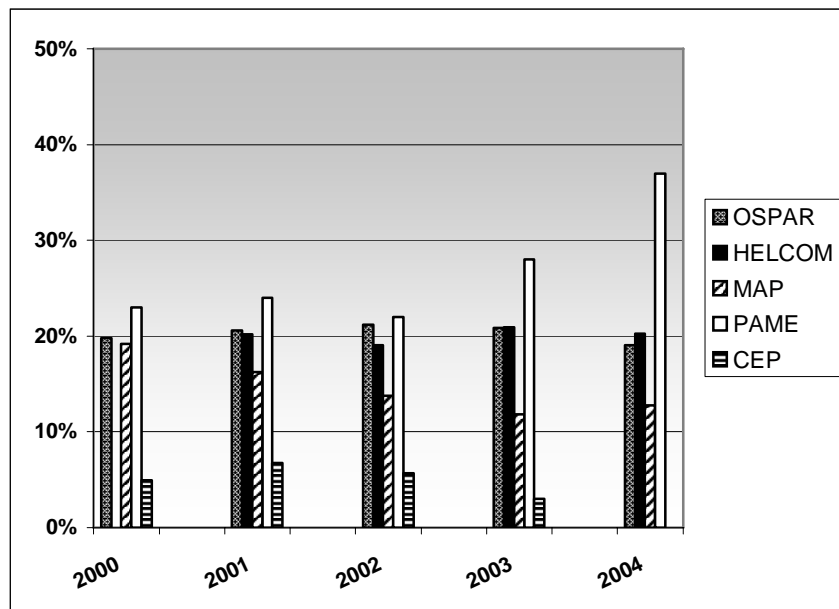


Figure 3. Costs of accommodation and equipments as a percentage of total budgets

Figure 3 illustrates the RSPs comparison of accommodation and equipment costs as percentages of the RS secretariats total budgets. These costs are on the average around 20% of the RS secretariats total budget and have stayed rather stable over the period 2000-2004 with the exception of slight reductions for MAP and increases for PAME during 2003 and 2004. The reason for the increase in PAME costs is the result of a move to a new office space and general increases in rental rates in Iceland.

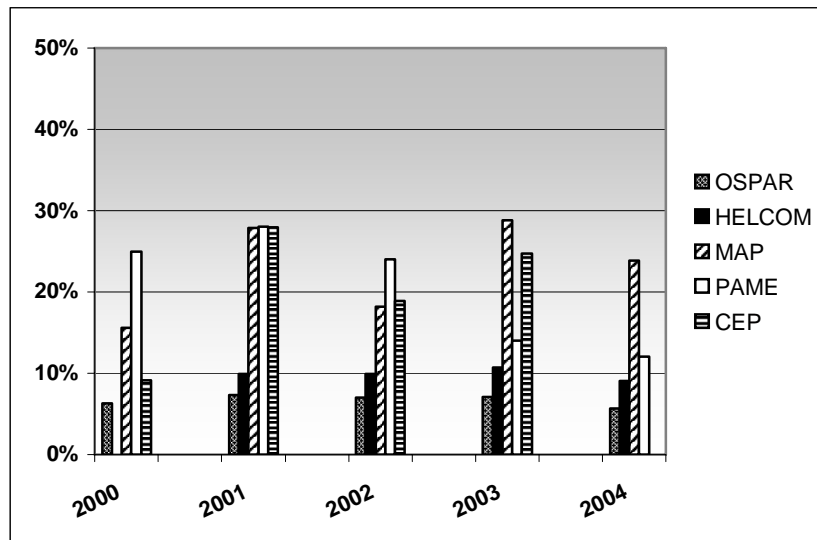


Figure 4. Costs related to meetings and travel as a percentage of total budgets

Figure 4 illustrates the comparison of costs related to meetings and travel as percentages of the RS secretariats total budgets. These costs vary between years and between regions. Reductions in these costs may be an indication of budget deficiencies (e.g. PAME) as the costs associated with travel represent the budget item which is usually the easiest to cut down.

The CEP has for example not been able to even maintain the running cost of the secretariat. To fill the gap, the secretariat, has been embarking on creative strategies to obtain counterpart and extraordinary contributions. It is from these funds that the secretariat has been able to operate and execute projects. Some of the donors over the years to the CEP have included support from non-member governments, GEF, Inter-American Development Bank (IDB), United States Agency for International Development (USAID), UNEP Environment Fund and UNEP-Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA).

4.4 Financing RS Programme of Work

An important distinction can be made between what can be described as “secretariat” costs and “project” costs – or the costs of carrying out specific projects which may include collecting monitoring information, handling data, developing proposals and reporting.

In the OSPAR system, the project costs have been met directly by individual contracting parties. The difference is not absolute: certain secretariat costs have been met regularly by individual contracting parties, and some project costs have been met from collective budgets. But the difference has, by and large, been a feature of financing OSPAR’s work.

The PAME system is similar to the OSPAR system with PAME projects generally carried out through a lead county approach and the associated project costs are the responsibility of the lead(s) (sometimes consortiums of lead countries are formed, which share the costs). The PAME Secretariat may be requested to provide secretariat support to PAME-led projects as a part of its day-to-day operations. Possible additional costs that may be included in such a request are generally reflected in an increase in annual contribution from the respective lead country (countries). Due to this project structure, the PAME Secretariat does not have a separate line on “project costs” in its annual budget.

In the case of the programme of work for the CEP, it is distributed across four sub-programmes. Due to insufficient funding, the post of Officer in one of these sub-programmes has been vacant since 1992. To accommodate for this most of the activities has been carried on by the other sub-programmes. But overall, CEP has seen an increase in its budget for programme activities over the years. In 2000 the budget was US\$2.3M and to date the CEP budget for programme activities stands at approximately US\$40M with very limited funding coming from the CTF.

4.5 Financing implementation of conventions and other agreed activities

Financing the implementation of conventions and other agreed activities at national level is the sole responsibility of national governments but is currently seriously under-funded and suffers from low mobilization of domestic resources.

As for the costs for national activities on implementation of the convention and/or other agreed activities in the Mediterranean region, beneficiary countries contribute at least third of the overall cost (mostly in kind, sometimes in cash). For other activities, the scope is too wide to have a concrete estimate of the national investment and this is the case for other regions as well.

Finding national or international resources to implement these activities have proven very challenging for most RSPs. For those RSPs that are progressing into the implementation phase there exists a complex reporting mechanism on budgetary information with e.g. allocation of scarce finances from a number of sources into specific activities and sub-programmes that may be administered by the RS Secretariat and/or Regional Activity Centers (RAC).

5.0 Conclusions and Discussion Points

It is apparent that the financial arrangements of the RSPs vary from region to region and even within regions as respective member countries have very different economic structures and are at very different stages of development, thus the selection of the right financing and identifying enough financing for the RSPs is a challenging endeavor.

The regions and their respective member states can be very different in terms of wealth and financial strength and do not necessarily share the same financial options. The wealthier countries have a wider range of options available for funding environmental investments. For low-income countries, donors or IFI loans will, at least in the short to medium term, continue to provide the bulk of funds for environmental programmes. This complicates a regional approach since a financial solution that would work for one country might not be appropriate or even possible in another country.

5.1 Options for funding levels

Inconsistencies in actual and expected annual contributions to the RSPs illustrate the funding uncertainties the Secretariat faces. Following options⁶ could assist countries in deciding realistic and equitable levels of contribution levels. These options are based on a "base figure" which represents the minimum annual level of funds required to meet the basic operational costs of the secretariat and a realistic number of substantive activities.

Option I:

- Arbitrary annual amounts agreed to by the participating countries that add up to the proposed "base figure".

Option II:

- Contributions in accordance with the UN scale of assessment as agreed to by the General Assembly of the United Nations.

Option III:

- Contribution per country comprising of two components: (i) an equal amount based on equal sharing of a fixed percentage of the "base figure" plus (ii) the remaining amount of the "base figure" to be contributed according to the same ratios as applied in the U.N. assessment scale.

5.2 Resource needs and allocations

Estimates of needs and current allocations to the RSPs vary greatly. The RSPs are often requested to expand their activities either into new thematic areas or new sectors and as the programme of work becomes more ambitious the core cost to facilitate it increase. With current funding deficiencies, the

⁶ Based on the Paper on Financing of the East Asian Seas Action Plan

gap between what is spent and what is required grows bigger and can result in great difficulties in running the minimum core activities of the secretariat. To overcome this, some RSPs have embarked on cost-saving measures and explored creative strategies to obtain counterpart and extraordinary contributions such as in-kind contributions for translation costs, hosting of meetings and secondment of staff.

5.3 Funding Programme of Work

There is a need to increasingly match available financing from bilateral donors, multilateral donors and the GEF with additional national commitments. With many of the RSPs progressing into the implementation phase, there will be an increasing urgency to focus on moving towards greater contributions from sustainable sources. In the long run, the only sustainable financing for such activities are national contributions or resources from mechanisms such as trust funds or endowment funds that will allow constant interest generation at sustainable level.

Also when accepting additional activities into the RSPs, it should be clear that financing is the responsibility of the national governments that have agreed to initiate these activities. Initially, donors or lead countries may finance such activities, but once mainstreamed into RSPs there will be a push from the initial donors to finance such issues through the core's funding mechanisms.

5.4 Partnerships and Networks

Building sustainable long-term financing is a very long process and a multi-ministerial exercise. Ministries of finance/economy and the environment are involved in building awareness of the need for financing environment as well as the financial cycle of environmental investments, being able to formulate environmental financial demands at realistic affordable levels, creating innovative arrangements.

RSPs may be well placed to facilitate a process of building long term sustainable financing cooperation between these ministries. A useful tool in strengthening such relations and creating partnerships may be the establishment of networking arrangements on environment finance incentives to demonstrate innovative usage of economic instruments and blending of resources to implement the RSPs. Such a network could facilitate the creation of *national* networks between these ministries in order to develop domestic solutions for strengthening the long term financing for the implementation of the MDG.

The objective of a *regional* network would be to assist the countries in strengthening their domestic resources for the environmental sectors through identification of additional and strengthening of existing financing mechanisms.

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