



## **Agreement on the Conservation of Albatrosses and Petrels**

### **Sixth Meeting of Advisory Committee**

*Guayaquil, Ecuador, 29 August – 2 September 2011*

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## **Review of Formula for Scale of Contributions**

### **Secretariat**

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## **Review of Formula for Scale of Contributions**

At MoP3 Parties recognized that the process for calculating the scale of contributions was becoming increasingly complex and was producing excessive fluctuations in individual Parties' contributions. MoP3 agreed that there was a need to adopt a new formula and established an ad hoc, open-ended intersessional contact group (ICG) to develop options for simplifying the process for determining the scale of contributions. In particular, MoP3 recommended that the ad hoc group give consideration to a scale of contributions based on the UN Scale of Assessments with a 22% cap, equivalent to that used within the United Nations.

Informal discussions of Parties took place in the margins of the 5th Advisory Committee (AC5) in Argentina where the scope of the ICG's work was agreed (see "Elements of the review" below) and that an early priority could be to develop and circulate a discussion paper. The final outcome of the review will be to present a range of options, which have been tested against the principles and criteria, and show how each option would affect Parties' contributions in the coming triennium(s), as a working paper to MoP4.

### **Elements of the review:**

1. Establish criteria to evaluate new methods of calculating Parties' financial contributions.
2. Explore different calculation methods, evaluate them against the criteria and make recommendations to MoP4.
3. Consider any transitional arrangements required when a new methodology is introduced.
4. Consider and make recommendations on how to calculate contributions by new Parties which join part-way through a triennium, or a period of transition arrangements.
5. Draft and finalise a MoP4 paper including a review of existing financial principles, revise and seek endorsement at MoP4 as required.

The ICG prepared a survey to seek the views of Parties and Cooperating non-Parties on a) the criteria that should be used to evaluate possible new methodologies; b) methods that could be used to calculate Parties' contributions, and which of these they supported/didn't support; c) whether the new methodology should be phased in over three years, and if so, how the transitional arrangements might work; and d) the approach to be taken when a new Party joins the Agreement during the intersessional period. Eight responses were received to the survey.

### **Recommendation**

That AC6 review the outcomes of the ICG's work and use this as the basis for a paper to be presented to MoP4 recommending preferred options for determining the scale of contributions.

## 1. Evaluation Criteria

The ICG established the following criteria against which to evaluate the new methodologies:

The new methodology should:

1. create ACAP budget real term stability i.e. does not significantly decline in real terms after the effects of inflation have been considered.;
2. be commensurate with the Party's ability to pay (which could be determined by reference to an up-to-date, independent, published index used in other fora);
3. avoid or minimise excessive annual fluctuations in Parties' contributions, upwards or downwards;
4. result in a transparent, easily understood process for calculating the contributions of existing and new Parties, including any new Parties that join part way through a budget year and/or budget cycle; and
5. include flexibility to allow new Parties' contributions to increase the total size of the budget (if required) or reduce Parties' existing contributions, or a combination of both.

## 2. Examination and recommendation of different calculation methods

Table 1. below lists the methods identified in the ICG's survey for determining Parties' contributions. The ICG made an assessment of whether these methods meet the evaluation criteria.

*Table 1. Evaluation of possible methods of calculating Parties' contributions*

<b>Possible Calculation Methods</b>	<b>Criteria 1</b>	<b>Criteria 2</b>	<b>Criteria 3</b>	<b>Criteria 4</b>	<b>Criteria 5</b>
1. Existing level + annual % increase	No	Yes	No	No	Possible
2. UN scale of contributions	Yes	Yes	Yes	Yes	Possible
3. GNI per capita	Yes	Yes	Yes	Yes	Possible
4. Antarctic Treaty method	Yes	No	No	Yes	Possible
5. Voluntary bandings	No	No	No	No	Possible
6. GNI + account for pop'n size	Yes	Yes	Yes	Yes	Possible
7. Combination of UN + GNI	Yes	Yes	Yes	Yes	Possible

Table 2 shows the level of support for each of the proposed calculation methods by those responding to the survey. Numbers 6 and 7 were new proposals and consequently were not included in the survey when it was distributed.

*Table 2. Level of support for methods proposed*

Possible Calculation Methods	Support	Don't support
1. Existing level + annual % increase	1	4
2. UN scale of contributions	7	1
3. GNI per capita	5	1
4. Antarctic Treaty method	2	5
5. Voluntary bandings	1	5

### 3. Transitional arrangements

All of the respondents to the survey agreed that the new method should be phased in over three years.

### 4. Calculation of New Parties' Contributions

Of those responding to the survey, three were in favour of continuing with the current approach to new Parties' contributions, i.e. that they be used to grow the existing budget, while two respondents were against this approach.

One respondent proposed a new approach which, when a new Party joins ACAP, would lead to an increase in the overall budget, while initially reducing the annual contribution each Party makes. One way to do this would be to calculate the amount a new Party would be levied (based upon the formula operating at the time they join), and then determine what is the percentage increase (to the overall ACAP budget) that the addition of the contribution by the new Party makes.

For example, a 14th country joins and their contribution is \$110,000. With the status quo, the additional \$110,000 increases the budget (based on 13 Parties) by almost 15%. However, if each Party's contribution were reduced e.g. by 5%, from what they would have contributed without the 14th Party joining (\$104,500 rather than \$110,000), the overall ACAP budget would grow by 9.05%, while each Party saves a modest amount.

In the years following a new Party joining, the contributions made by each Party would slowly increase back towards what they were contributing (before the new Party joined) - guaranteeing that the budget will continue to grow (but at a modest rate), as displayed in Table 3 below.

Table 3. Calculation of Parties' adjusted contributions

<b>ACAP Party #</b>	<b>Current annual contribution by Party</b>	<b>With 5% reduction in contribution by Party</b>
1	\$ 110,000.00	\$ 104,500.00
2	\$ 110,000.00	\$ 104,500.00
3	\$ 100,000.00	\$ 95,000.00
4	\$ 100,000.00	\$ 95,000.00
5	\$ 89,000.00	\$ 84,550.00
6	\$ 83,000.00	\$ 78,850.00
7	\$ 75,000.00	\$ 71,250.00
8	\$ 46,000.00	\$ 43,700.00
9	\$ 24,000.00	\$ 22,800.00
10	\$ 4,500.00	\$ 4,275.00
11	\$ 1,200.00	\$ 1,140.00
12	\$ 600.00	\$ 570.00
13	\$ 300.00	\$ 285.00
<b>Total Budget (13 Parties)</b>	<b>\$ 743,600.00</b>	<b>\$ 706,420.00</b>
<b>If #14 joins and current rate of contribution is equal to # 1 and # 2</b>		
	\$ 110,000.00	\$ 104,500.00
<b>New Budget Total</b>	<b>\$ 853,600.00</b>	<b>\$ 810,920.00</b>

## 5. Review of Existing Financial Principles

At MoP3 Parties agreed that the following principles would be used in calculating the current contributions of the Parties, and provide guidance for calculation of future contributions:

### A. Existing Principles

1. Decisions relating to any scale of contributions will be adopted by consensus, having regard to the differing resources of the different Parties, in accordance with article VII(2)(a).
2. The formula set out in Resolution [3.6] will continue to be used. The inputs to the formula will be taken from the latest published datasets, which will be applied taking account of the differing resources of the different Parties in accordance with article VII(2)(a).
3. The accession of any Party to the Agreement during an intersessional period will not result in the recalculation of the formula set out in Resolution [2.3] for any other Party prior to the next MoP.
4. Subject to consensus of all Parties present at the MoP, caps may be applied to limit the amount that any one Party must pay (e.g. maximum percentage of budget; minimum amount).

## **B. New Principles**

1. Inter-annual fluctuations in the contribution of any one Party should be minimised.
2. The latest available scale of contributions, as used in the formula set out in paragraph A.2 above, will apply pro-rated in proportion to the time lapsed for the financial year in which any Party accedes to the Agreement during an inter-sessional period. In any subsequent years prior to the re-negotiation of the budget at the next Meeting of the Parties, the formula set out in Resolution 3.6 will apply to that Party.

Depending on which calculation method Parties decide to adopt at MoP4, it is possible that Principles A2, A3 and B2 will need to be revised. The ICG was unable to make any recommendations on how these principles could be amended, until a new calculation method is agreed to and Parties decide if the accession of a new Party will result in a reduction of existing Parties' contributions.