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**Rotterdam Convention on the Prior  
Informed Consent Procedure for Certain  
Hazardous Chemicals and Pesticides in  
International Trade  
Conference of the Parties  
Fourth meeting**

Rome, 27–31 October 2008

Item 6 (e) of the provisional agenda\*

**Issues arising out of previous meetings of the Conference of the Parties:  
further study of the advantages and disadvantages of using the euro,  
the Swiss franc or the United States dollar as the currency of the  
accounts and budget of the Convention**

**Further study of the advantages and disadvantages of using the  
euro, the Swiss franc or the United States dollar as the currency  
of the accounts and budget of the Convention**

**Note by the Secretariat**

1. At its third meeting, the Conference of the Parties had before it a note by the Secretariat containing a study on the advantages and disadvantages of using the euro, the Swiss franc or the United States dollar as the currency of the accounts and budget of the Convention (UNEP/FAO/RC/COP.3/18), which it had undertaken in response to decision RC-1/17.
2. In the light of a number of views expressed concerning the insufficient grounds to change the status quo, the Conference of the Parties agreed to defer the issue to its fourth meeting. In preparation for this discussion, the Parties requested the Secretariat to provide, pursuant to decision RC-3/7, a further study on the same subject. The requested further study is contained in the annex to the present note.

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\* UNEP/FAO/RC/COP.4/1.

3. The Conference of the Parties may wish:
  - (a) To take note of the further study and consider the possible actions set out in section III;
  - (b) To take a decision, based on the additional information provided, on ways to reduce the exposure of the budget of the Rotterdam Convention to currency fluctuations.

## Annex

# Further study of the advantages and disadvantages of using the euro, the Swiss franc or the United States dollar as the currency of the accounts and budget of the Rotterdam Convention

## I. Introduction

1. Currency instability has affected the budget and programme of the Rotterdam Convention from its inception. At its first meeting, in the light of the decision on the location of the Secretariat and the experience of other international agreements and institutions, the Conference of the Parties requested the Secretariat to undertake a study on the advantages and disadvantages of using the euro, the Swiss franc or the United States dollar as the currency of the accounts and budget of the Convention for its consideration at its third meeting. That study, set out in annex I to document UNEP/FAO/RC/COP.3/18, contained estimates of exposure to currency fluctuations and described three options for limiting such exposure. It was also noted that neither the United Nations Environment Programme (UNEP) nor the Food and Agriculture Organization of the United Nations (FAO) was currently able to budget, operate, account for or report on its funds in euros or Swiss francs.

2. After discussion, the Conference of the Parties agreed to defer the matter until its fourth meeting and, by decision RC-3/7, requested the Secretariat to provide a further study on the subject taking into account:

- (a) Additional experience with respect to currency exposure;
- (b) The ability of UNEP and FAO to budget, maintain accounts and report financially in the currencies under consideration;
- (c) The experience of FAO with split assessments of its assessed contributions;
- (d) The experience of other convention secretariats, the United Nations and other international agencies that budget, maintain accounts and report financially in the Swiss franc, euro or United States dollar.

3. The present paper reflects the requested further study. The paper consists of three sections: section I sets out the background to previous discussions by the Parties on this issue; section II contains an analysis of the information collected from FAO, UNEP and other multilateral environmental agreements; section III proposes possible solutions along with a number of points that the Parties may wish to consider in reviewing them.

4. Although the present paper refers specifically to the Conference of the Parties and the situation facing the budget of the Rotterdam Convention, an analysis from a wider point of view is helpful in understanding the subject fully. A short background to the history of currency instability in the United Nations family, and how it has been tackled over the years at the agency level, has therefore been prepared and is set out in appendix I to the present paper.

## II. Analyses of the information collected

### A. Experience in secretariats of other multilateral environmental agreements

5. Pursuant to decision RC-3/7 the Secretariat approached 16 other multilateral environmental agreements with a request to provide information relevant to that decision. The 13 responses to the Secretariat's letter dated 29 May 2007 have been summarized in appendix II.

6. With the exception of one multilateral environmental agreement that is not in the United Nations family and is fully Swiss franc-based, the responses indicate that all accounts are maintained in United States dollars. Of the multilateral environmental agreements with assessments, none has introduced a system of split assessments, pursuant to which contributions would be assessed and paid in two currencies. In some, however, Parties are now assessed in euros (instead of in United States dollar), reflecting the currency of the budget and the location of the secretariat. The responses given, however, are not unanimous as to whether this has solved the problems fully. While the secretariats concerned state that euro assessments have helped in creating budget stability, some report difficulties in budget

administration, accounting and reporting. One multilateral environment agreement has gone the opposite way by recently switching from the Swiss franc to the United States dollar in line with its host agency's practices, in spite of the fact that the secretariat is based in Geneva.

7. While it is clear that some of these agreements are facing similar problems to those of the Rotterdam Convention in the wake of the present decline in value of the United States dollar, there are others that do not report any particular currency-related problems. Noteworthy is the fact that no multilateral environmental agreement appears to be facing the "three currencies situation" of the Rotterdam Convention. The conclusion drawn from this survey is that other multilateral environmental agreements have only limited experience, which offers no obvious lessons that the Rotterdam Convention might learn from.

## **B. Experience of FAO and UNEP**

8. The Secretariat approached FAO and UNEP on 25 May 2007 for information in relation to decision RC-3/7. The two responses received are summarized below.

9. FAO is a specialized agency and has a system of split regular budget assessments and related payments introduced with effect from 2004. Before that, FAO was fully United States dollar-based, meaning that the programme budget, the assessment of member States and the financial accounts all used that currency.

10. Although the programme budget continues to be presented and approved in United States dollars and the accounts are maintained and reported in the same currency, the FAO Conference decided in 2003 to introduce a split assessment system to protect the programme financed by the FAO regular budget. This was to facilitate the implementation of the regular budget, where around half of its components were entirely euro-based. Consequently, member States must make two separate payments when honouring their regular budget commitments, one payment in euros and the other one in United States dollars. Split assessments have created hitherto non-existent budget protection for euro commitments under the regular budget. It has also been reported, however, that additional work and effort is required by the FAO Financial Division to monitor the two cash flows and that in some cases additional costs are incurred. The base currency of the FAO accounts remains the United States dollar and all trust fund projects, like the FAO-administered part of the Rotterdam Convention budget, therefore continue to be managed only in that currency.

11. UNEP, as a part of the United Nations system, operates its budget and accounts as a trust fund in the United States dollar. The United Nations has little experience in budgeting, assessing and accounting in currencies other than the United States dollar. Hence, UNEP also maintains the accounts for the various trust funds it administers (including the Trust Fund for the Rotterdam Convention) in the United States dollar. UNEP has, nevertheless, made several attempts over the years to meet some of the reporting requirements of various multilateral environmental agreements for which it provides administrative services, as referred to in section II (a). The resulting reports have, however, always been approximations, since the official accounting and reporting of resources and expenditures uses the United States dollar. UNEP points out that such reporting cannot therefore replace official reporting and may confuse readers of official financial reports when attempting to reconcile the two. The need to preserve the value of resources for the activities of the approved programme with commitments in several currencies can only be met by maintaining the budget, as well as accounts, in more than one currency. This is currently not possible, but UNEP had indicated that the future introduction in the United Nations of an Enterprise Resource Planning system,<sup>1</sup> in place of the current financial system (IMIS), may be able to cater for a multi-currency situation. The complexities involved, however, should not be underestimated and such a solution cannot be expected to be available soon.

12. It therefore appears that, as also reflected in the responses from the multilateral environmental agreements, no simple and practical solution currently exists that would enable the Rotterdam Convention to operate in any currency other than the United States dollar.

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<sup>1</sup> Reference is made to the General Assembly resolution 60/283 on investing in the United Nations for a stronger Organization worldwide (A/RES/60/283, dated 17 August 2006) and the report of the Secretary-General on information and communications technology enterprise systems for the United Nations Secretariat worldwide (A/62/510, dated 29 October 2007).

### C. **Would split assessments be a solution for the Rotterdam Convention?**

13. There is no experience in the United Nations family of a split assessment involving three currencies. In the absence of such experience, and considering that the amounts of the assessments for the programme under the Rotterdam Convention are in many cases small, it appears that the introduction of a requirement of two and particularly three currencies of assessment and payment by the Parties to the Convention is not justifiable. The additional remittance cost alone would often be substantial in relation to the amounts remitted and would have to be borne by the remitting member States. The additional administrative costs would also be substantial in terms of accounting and follow-up by the Rotterdam Secretariat.

14. In addition, the experiences of other multilateral environmental agreements of assessment and payment of contributions in euros, instead of United States dollars, are mixed. In no case has a split assessment system been attempted in a multilateral environmental agreement. In view of the above considerations, it appears that split assessments would not offer any advantages to the Rotterdam Convention.

### D. **Analysis of the expenditure pattern of the Rotterdam Convention and its budgetary impact**

15. The Secretariat of the Rotterdam Convention is somewhat unusual in that a major part of its expenditures are committed and expended in two currencies other than the United States dollar, namely, the Swiss franc and the euro. Analysing the approved budget for the Rotterdam Convention, it is estimated that at this juncture some 30 per cent of the General Trust Fund budget is fully Swiss franc-sensitive, some 20 per cent is fully euro-sensitive, and the remaining 50 per cent is sensitive to all three currencies. In that situation, it is preferable that the currency of accounting remain the United States dollar, the main currency of expenditure. Moreover, since around half of budget expenditures are paid in euros or in Swiss francs, the Convention's expenditure pattern is also quite currency-sensitive.

16. In view of the rather dramatic fall in the value of the United States dollar towards the end of 2007, a hypothetical calculation was used to establish the extent to which the approved programme for this period has been eroded by currency developments that the Rotterdam Secretariat cannot control. This calculation was undertaken using the approved 2007–2008 budget for the Rotterdam Convention under the General Trust Fund. It revealed that, with the United Nations rates of exchange that have been experienced so far in 2007–2008, extrapolated from the current rates (February 2008) to the rest of the year, the extrabudgetary costs for the two years would be close to \$400,000 if the approved activity level of the programme remained the same. In this estimate, only salaries of established posts and a few common services, or office-related, budget lines in Geneva and Rome have been considered as fully sensitive to either of the two major currencies other than the United States dollar. For professional and higher graded posts, the assumption here is that, in line with the experiences elsewhere in the United Nations family, some 80 per cent of the costs are currency-sensitive. For general service posts, the exposure is 100 per cent, in line with the employment conditions for such staff.

17. The above estimate of the budget loss in 2007–2008 is thus conservative, as a number of budget lines or types of expenditure of the rest of the Rotterdam Convention programme have not been included. Although the assumption is that half of the programme is fully United States dollar-dependent for this purpose, a weak United States dollar does have a negative impact on this half of the budget.

18. The extent of the sensitivity may shift somewhat for future bienniums, depending on movements in the two rates of exchange, as well as on changes in the content of the programme. In addition, there is no fixed ratio in the value of the Swiss franc and the euro, but experience tells that they are closely linked and tend to move in the same direction vis-à-vis the United States dollar.

19. The fact that the two host Governments' pledged contributions, as provided for in the host Government agreements, are expressed in the euro, and not in the currency of the budget, serves in itself as a budget protection. The dates of payment and the United Nations rates of exchange applicable on such contributions are, however, unpredictable. For the current biennium, given the steady weakening of the United States dollar, some protection should have resulted from the higher dollar value of these contributions compared to their dollar value at the time of budgeting. If those contributions continue to be committed and paid in euros, the Rotterdam Convention will have a corresponding degree of protection for its future budgets. On the other hand, if, in a future period, the United States dollar strengthens against the euro and the Swiss franc, the host Governments' contributions would be worth fewer dollars. In that scenario, some budgetary savings would automatically be made under the euro- and the Swiss franc-sensitive parts of the budget. In other words, as long as the present host

Governments' arrangements continue, this mechanism will partly protect the budget from adverse exchange rate fluctuations.

20. An estimate of the level of budgetary relief that would be created for the 2007–2008 budget has been made using similar principles as those used in the above-mentioned hypothetical calculation and assuming that the two host Governments' contributions for 2007–2008 will be paid in the same pattern in 2008 as during 2007. On that basis, and taking into account the value of the payments that have already been made for this biennium and extrapolating the current rate of exchange between the United States dollar and the euro, it could be expected that some \$300,000 more than the dollar amount of these contributions at the time of approving the budget would be credited to the General Trust Fund. This amount is the potential budget relief that the host Governments' contributions could provide for 2007–2008 and could therefore offset a large part of the extra costs for the programme over which the Secretariat has no control, estimated above at \$400,000. In this scenario, the net budget erosion for the 2007–2008 budget would be reduced to \$100,000. It is reiterated, however, that the actual receipts, the timing and the United Nations accounting rate of exchange in force for the months when the payments are received would give the exact figure of the relief only at the end of the present biennium.

### **III. Possible solutions**

21. The above considerations emphasize that switching the currency of the budget, assessments and accounts of the Rotterdam Convention or making any other "structural changes" would not provide a practical solution for limiting exposure to currency fluctuations. It needs also to be stressed that, by relying on the United Nations system in the area of budget and finance, among others, the Secretariat has access to extremely cost-efficient administrative support. Within the present constraints, however, it is considered that implementation of the Rotterdam Convention programme of work can be protected to a degree against currency fluctuations with some changes to the operating practices of UNEP without changing its basic operating principles. Two ways of doing so, without departing substantially from current financial principles and systems, are set out below. They are not mutually exclusive and could be employed in combination. For each, a number of points to consider and possible actions are described. The intent is to establish a clear framework for dealing with the consequences to the budget of the Rotterdam Convention of currency instability within the current financial structures and procedures.

#### **A. Optimal use of the host Governments' support**

22. As long as the two host Governments continue to support the Convention financially with a euro commitment at the present level and the programme does not change substantially in nature, one mechanism to protect the budget already exists. At present, approximately one-third of the General Trust Fund budget is financed from the two host Governments' contributions. On the assumption that this support will continue, the full advantage of it being pledged in euros could be formalized. The Conference of the Parties has already done so to a certain extent by specifying the United States dollar value of those negotiated contributions in the euro when approving the budget and its financing.

23. To the extent that the dollar value of these contributions exceeds the total budgeted dollar amount, the excess should be used to compensate for the increased cost of the euro and Swiss franc commitments in the budget approved by the Conference of the Parties. Therefore, the Conference of the Parties might wish to authorize the Secretariat to apply any additional income resulting from exchange rate effects to offset any additional expenses resulting from such effects in order to ensure the ability of the Secretariat to implement the approved programme of work. The Conference of the Parties has not previously granted the Secretariat such authority.

24. Thus we see that the Convention's mix of currencies provides a protective effect in times of a falling dollar. A similar protective effect may be observed when the dollar is rising. In such a situation, the dollar value of the host Governments' contributions is less than it was at the time of budgeting. This loss is at least partly offset, however, by the fact that the dollar value of Swiss franc and euro expenditures decreases, although not necessarily to the same extent.

#### **Points to consider**

25. It is suggested above that the Conference of the Parties may wish to authorize the Secretariat to exceed the approved United States dollar budget level by an amount not exceeding the additional United States dollar value of contributions when actually received, on the understanding that the Secretariat would similarly reduce the effective budget when the dollar is rising to the extent of the dollar shortfall

in host Governments' contributions when received. Should the Conference wish to follow this course, it would be necessary to work out the details with the trustee.

## **B. Establishment of a currency fluctuation reserve**

26. A second way to provide a degree of protection against currency fluctuation and thus facilitate orderly and timely programme implementation was listed as an option in document UNEP/FAO/RC/COP.3/18 and discussed by the Conference of the Parties at its third meeting. That option was set out in paragraph 26 of annex I to document UNEP/FAO/RC/COP.3/18 as follows:

### **Retain the status quo and establish a contingency fund within the general budget**

The single and only usage of that fund would be to bear any negative budget impact attributable to currency fluctuations. In the case of gains arising out of currency movements, those would remain in or replenish the contingency fund for possible future losses.

27. The suggested contingency fund, referred to as a currency fluctuation reserve in the present document, could operate without requiring major changes to existing systems. Such a reserve would not be inconsistent with the fundamentals of the financial rules of the Convention or those of the United Nations. It would be similar to a reserve used to protect the regular budget of one of the specialized agencies, the World Health Organization (WHO), from currency fluctuation in the 1980s and 1990s. In that case, there were seven different currencies involved, as the protection included WHO headquarters in Geneva and its regional offices. It was generally considered to be a clear and manageable system and was based on budget provisions rather than on expenditures. It provided the flexibility needed to make the best use of funds in times of currency fluctuation, both when the dollar weakened and when it strengthened. WHO changed the reserve some years ago because of unrelated, considerations, mostly to do with funding.

### **Points to consider**

28. The Conference of the Parties may wish to establish a currency fluctuation reserve. Appendix III to the present paper provides details on possible principles to govern such a reserve. It might also be preferable to include a corresponding provision on this reserve in the financial rules of the Rotterdam Convention.

29. In relation to the above, it should be clarified that the budget of the Rotterdam Convention already has the protection of two other reserves with specific purposes created by the Conference of the Parties. The working capital reserve established by the Conference of the Parties at its first meeting can only be used by the Secretariat to bridge temporarily a shortfall of cash for the operations of the Convention pending receipt of Parties' assessed contributions. A similar fund has been created in almost all of the agencies or programmes of the United Nations family. The second established reserve in the Rotterdam Convention, the special contingency reserve, can only be used in the event that FAO ceases to provide in-kind contributions of posts in the Secretariat. The two established reserves could not, therefore, be used as a means of protecting the approved programme of work of the Convention against currency fluctuation.

30. The Conference of the Parties may wish to consider the initial level of such a reserve and make provision for this in the 2009–2010 budget of the General Trust Fund. The need for any further funding of the reserve would be satisfied by either its own fund-generating capability (as covered in the principles in appendix III) or by future budget provisions. The Conference may wish to establish the reserve for the 2009–2010 biennium in an amount equal to at least the net budgetary shortfall for 2007–2008 of \$100,000 described in section II d above. This amount, which is less than 1.5 per cent of the budget for 2007–2008, would appear to be the minimum initial level of such a reserve.

31. The above arrangements would offer several advantages. Apart from the amount needed to fund the currency fluctuation reserve, the total amount of the approved budget in United States dollars would not be affected and would remain at the approved level throughout the biennium. Parties' assessed contributions would continue to be expressed in the same currency and financial management, which now has the support of the United Nations' financial system (IMIS), would be facilitated, since that system is designed to operate with the United States dollar as the sole currency base.

32. Another advantage would be that, in times of favourable currency movements, estimated budget exchange rate savings could actually be debited from the allotments and credited to the currency fluctuation reserve for future use in protecting approved programme activities under the General Trust

Fund. The facility would therefore be credible and transparent, and promote budget discipline in general. The balance available in the above reserve and its sufficiency would be regularly reviewed by the Conference of the Parties at the time of budget approval. It may be presumed that the need to replenish the reserve would be occasional. In addition, the possibility that the future balance of the reserve would exceed the potential requirements for the next biennium can not be ruled out. In such a case, the Conference of the Parties would decide on the use of the excess amount.

## Appendix I

### Overall background to the problem of currency instability in the United Nations family

1. At the time of their establishment, in most cases some 60 years ago, the United Nations and its specialized agencies mostly adopted the United States dollar as the currency for budgeting and accounting, as well as for the assessment and collection of regular budget contributions. Some agencies, older than the United Nations and based in Switzerland, however, decided to maintain the Swiss franc for this purpose (for example, the Universal Postal Union based in Berne) when they became members of the United Nations family.

2. The decisions to adopt the United States dollar as the currency for budgeting, assessing and accounting were taken at a time when the international monetary system had fixed exchange rates between currencies under the gold standard, in which the value of the United States dollar was pegged to gold at the rate of \$35 per ounce. Following the abandonment of the gold standard and the fixed exchange rate system in the early 1970s, the subsequent broad fluctuation of currency values had many consequences. For those United Nations agencies having a significant portion of their financial commitments and expenditure in currencies other than the budget currency of the United States dollar, the orderly implementation of work programmes and the stability of finances were seriously disturbed. Those agencies were based in Europe and the currency involved was that of the host country.

3. Hence, the United Nations agencies that were particularly affected by this currency instability were those that had their headquarters, together with a large portion of their activities, in Europe, and therefore incurred a significant portion of their expenditure in the currency of the host country. This mismatch between the United States dollar, the currency of budgeting, assessment and accounting and the main currency of commitment and expenditure soon began to affect those agencies considerably. Additionally, independent of the currency issue, the United Nations family began to extend the financial period from a one-year period to a biennium. This resulted in some cases in increased divergence for budget rates of exchange and for actual rates as the former was established more than two years before the last month of the implementation of the said budget.

4. Financial crises resulted as early as the 1970s and affected some specialized agencies, since the value of the United States dollar fell substantially in relation to the currency of the host country. The value of the budget, as well as that of assessed contributions, both expressed in United States dollars, decreased in local currency terms by the time the approved programme was implemented. Initially, this situation resulted in the need for governing bodies to approve supplementary budgets and in some cases to decide on supplementary assessments. In addition, other ad hoc measures using the agency's financial reserves were taken. The situations facing those agencies were clearly not ideal and long-term solutions had to be found.

5. Experience also showed that there were periods when the currency mismatch between the budgeted amount and the actual received contributions from member States turned out to be too large to implement and fully finance the approved programme. In some cases considerable budget surpluses were created. This inverse situation was brought about by the United States dollar gaining value during the period between budget approval and subsequent programme implementation. Depending on the financial regulations of the United Nations agency concerned, the governing body took decisions on how to deal with these sometimes significant surpluses. Since the early 1970s there have been several such periods when the United States dollar has strengthened vis-à-vis the main currency of expenditure. It is likely that there will again be such periods and, when that situation arises, a budget expressed in United States dollar could result in a budget surplus when implemented.

6. In the decades that followed the abandonment of the fixed currency exchange rate system it became clear that variations in exchange rates would continue to affect the United Nations system. With considerable experience of the effects and the ways to handle the problem, long-term, or structural, measures were introduced in some of the United Nations agencies affected (those having their own financial regulations) to counter the impact of exchange rate fluctuations on its regular work programme and finances. There was, however, no uniformity whatsoever in those measures, as each such agency had a currency exposure, funding arrangement and programme that differed from the others. In some

cases, no special general measures were introduced and in others those measures were later modified in the light of experiences and changes in the situation. None of the solutions, however, manage the accounting and presentation of financial statements in more than one currency.

7. Today, the various positions or solutions in operation in the United Nations specialized agencies for the regular budget can generally be summarized as follows:

(a) Split assessments whereby member States - although the budget is expressed in the United States dollar - arrange for payment of their commitment in two currencies, usually the euro and the United States dollar, whereas the programme budget and the accounts are expressed in only one of them;

(b) Programme budget, assessments and accounts expressed in the currency of the host country, different from the United States dollar, with no other arrangements;

(c) Assessment in the currency of the host country, but the programme budget and the accounts are expressed in the United States dollar, and monthly requirements for the full budget period in the latter currency are bought (with governing body consent) in a "forward purchase deal" from a bank when the budget is approved;

(d) Programme budget, assessments and accounts expressed in the United States dollar. The approved budget contains a specific budget provision for the financial services of the Organization to utilize for "hedging arrangements" with its bank covering the full budget period.

## Appendix II

### Summary of information provided by other multilateral environmental agreements relevant to decision RC-3/7

Pursuant to decision RC-3/7, the Secretariat sent a letter dated 29 May 2007 to 16 multilateral environmental agreements with a request to provide information relevant to decision RC-3/7. The responses received have been standardized and summarized in the table below.

Multilateral environmental agreement	CURRENCY OF			LOCATION OF SECRETARIAT	COMMENTS
	BUDGET	ASSESSMENT	ACCOUNTS		
African-Eurasian Waterbird Agreement ( <b>AEWA</b> )	EURO	EURO	UNITED STATES DOLLAR	Bonn, Germany	Good budget protection but administrative headaches reported in budget implementation.
Convention on Biological Diversity ( <b>CBD</b> )	UNITED STATES DOLLAR	UNITED STATES DOLLAR	UNITED STATES DOLLAR	Montreal, Canada	No experience other than operating with the United States dollar, and no particular difficulties reported in this regard.
<b>Basel Convention</b> on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	UNITED STATES DOLLAR	UNITED STATES DOLLAR	UNITED STATES DOLLAR	Geneva, Switzerland	No experience other than with the United States Dollar. No particular difficulties reported.
Agreement on the Conservation of Cetaceans in the Black Sea, Mediterranean Sea and contiguous Atlantic area( <b>ACCOBAMS</b> )				Monaco	No substantial reply. Assume ACCOBAMS are fully dependent on UNESCO and the “currency situation” of that specialized agency is similar to that of FAO.
Convention on Migratory Species ( <b>CMS</b> )	EURO	EURO	UNITED STATES DOLLAR	Bonn, Germany	Good budget protection but administrative headaches reported in budget implementation.
Agreement on the Conservation of Populations of European Bats ( <b>EUROBATS</b> )	EURO	EURO	UNITED STATES DOLLAR	Bonn, Germany	Good budget protection but administrative headaches reported in budget implementation.
Agreement on the Conservation of Small Cetaceans of the Baltic and North Seas ( <b>ASCOBANS</b> )	EURO	EURO	UNITED STATES DOLLAR	Bonn, Germany	Good budget protection but administrative headaches reported in budget implementation.

Multilateral environmental agreement	CURRENCY OF			LOCATION OF SECRETARIAT	COMMENTS
	BUDGET	ASSESSMENT	ACCOUNTS		
Convention on International Trade in Endangered Species of Wild Fauna and Flora ( <b>CITES</b> )	UNITED STATES DOLLAR	UNITED STATES DOLLAR	UNITED STATES DOLLAR	Geneva, Switzerland	A switch from the Swiss Franc to the United States dollar was made in 2003 to bring the budget and the assessment for the Convention fully into line with UNEP practices. The accounts had always been maintained in United States dollars. No particular difficulties reported on the new practice.
Montreal Protocol on Substances That Deplete the Ozone Layer ( <b>Montreal Protocol</b> )	UNITED STATES DOLLAR	UNITED STATES DOLLAR	UNITED STATES DOLLAR	Montreal, Canada	No experience other than operating with the United States dollar and no particular difficulties reported. Various actions to expedite collection of assessments reported.
United Nations Environment Programme Mediterranean Action Plan ( <b>MAP</b> )	EURO	EURO	UNITED STATES DOLLAR	Athens, Greece	Headaches and loss of budget “purchase power” reported by the secretariat as a result of the dual situation and the fact that the host agency will not update the allotments when the United States dollar weakens. A comfortable trust fund position, in combination with a euro bank operation for MAP has “solved” the problem for the time being.
Ramsar Convention on Wetlands ( <b>RAMSAR</b> )	SWISS FRANC	No assessment	SWISS FRANC	Gland, Switzerland	The issue has only been discussed informally. An internal exercise has shown that it is efficient to stay with the Swiss Franc as the secretariat is based in Switzerland. Besides that, RAMSAR is funded solely by voluntary contributions (including from UNEP) and is not part of the United Nations family.
Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities ( <b>GPA</b> )	UNITED STATES DOLLAR	No assessment	UNITED STATES DOLLAR	The Hague, the Netherlands	Only voluntary contributions.
Ozone Secretariat				Nairobi, Kenya	No reply received by the secretariat.

Multilateral environmental agreement	CURRENCY OF			LOCATION OF SECRETARIAT	COMMENTS
	BUDGET	ASSESSMENT	ACCOUNTS		
United Nations Framework Convention on Climate Change (UNFCCC)	UNITED STATES DOLLAR	UNITED STATES DOLLAR	UNITED STATES DOLLAR	Bonn, Germany	The subject of adverse effects of exchange rate fluctuations has been discussed by the Conference of the Parties. It agreed to maintain the status quo, but to show also the euro equivalent of the approved budget and, in times of falling United States dollar value, to authorize the secretariat to spend more on condition that funds are available and the spending does not exceed the euro equivalent.
UNESCO World Heritage Convention				Paris, France	No reply received by the secretariat.
Convention to Combat Desertification (UNCCD)				Bonn, Germany	No reply received by the secretariat.

## Appendix III

### Possible principles governing a currency fluctuation reserve

1. The only two currencies that are budget-protected are the Swiss franc and the euro.
  2. The only budget components involved are those with a clear commitment by the Rotterdam Convention to pay in either of the two currencies from the General Trust Fund. Those components are limited to staff costs for posts and certain common services items and cannot normally be changed from one financial period to the other.
  3. The calculations of budgetary extra costs and savings are made on whole budget provisions (and not on expenditure) and assume that the budget component is evenly spread out over the 24 accounting months of the financial period.
  4. The totals of the budget components so identified and the applied rates of exchange are set out explicitly in the decision approving the budget.
  5. The operation of this reserve will be by simple periodic internal debits and credits between the General Trust Fund and the fund established for this purpose a couple of times a year, subject to availability of funds. The internal debits and credits will be rounded off to the nearest 100 United States dollars each time the facility is invoked. The Fund operates under a biennium with favourable rates of exchange developments and under a biennium with unfavourable ones.
  6. The reserve can be invoked directly by the Trustee for the stated purpose upon formal request by the Co-Executive Secretaries. Transfer of funds is subject to their availability. Any other use than foreseen in these principles requires a decision by the Conference of the Parties.
  7. The initial credit under this reserve should be assessed by the Parties and follow the scale of contributions applied for 2009–2010. Parties admitted to the Convention after the establishment of this reserve will be assessed on the basis of the same principles as for the working capital fund already created.
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