

**DRAFT FINANCIAL RULES**  
**FOR THE FRAMEWORK CONVENTION FOR THE PROTECTION OF**  
**THE MARINE ENVIRONMENT OF THE CASPIAN SEA**

**Explanatory Note**

1. Pursuant to Article 22.3 of the 2003 Framework Convention for the Protection of the Marine Environment of the Caspian Sea, the first meeting of the Conference of the Parties shall be convened not later than twelve months after the date of the entry into force of the Convention.
2. Further, paragraph 9 (c) of Article 22 of the Convention prescribes that the first meeting of the Conference of the Parties shall decide on the rules of procedure and financial rules for itself and its subsidiary bodies.
3. To facilitate the Caspian Convention Conference of the Parties to perform the above obligation, the Secretariat provided by UNEP, with the assistance of an international consultant, prepared the Draft Financial Rules presented below.
4. The Draft Financial Rules is based on prevailing international norms and practices relevant to the functioning of the bodies of international treaties, while taking into account the specific content of the Caspian Convention.
5. In order to accumulate, manage and disburse the financial means for the administration of international conventions, including functioning of their secretariats, Parties usually establish a special trust fund. Further, they designate a body to manage the trust fund on a daily basis. Often, Parties designate a competent international entity to perform such duties, but they may also choose from among existing regional or national agencies or even create a special body. Accordingly, Rules 1 and 3 of the Draft Financial Rules provide for the above.
6. Rule 4 lists the funding sources of the Caspian Trust Fund, which include the Parties, who are the principal funding source, the sources that may be available through the Caspian Environment Programme and other similar programmes, as well as other sources.
7. The effective administration of an international treaty is heavily dependent on predictable funding. Predictable funding is usually ensured by establishing a scale of financial contributions by Parties and the time by which such contributions have to be paid. These issues are dealt with by Article 5.
8. To facilitate the disbursement of funds, Rule 6 suggests that all contributions are paid in US dollars or other convertible currencies. It also proposes to use for conversion of currencies the United Nations operational rate of exchange, which is an objective and neutral instrument.
9. Further, in order to ensure predictable funding for administration of the Caspian Convention, the Draft Financial Rules suggest a two-year budget cycle.

Accordingly, Rule 8 prescribes that budget proposals covering the expenditure and income from contributions by the Parties be prepared by the Executive Secretary for periods of two calendar years. The budget proposals then are brought to the Conference of the Parties for approval (Rule 9).

10. In accordance with Rule 10 and in order to provide flexibility in receiving and expending the funds provided by external donors, the contributions from non-Parties to the Caspian Convention may be accompanied by special terms and conditions to be agreed between the Executive Secretary and the respective contributor. To keep this process under control by the Parties, the Executive Secretary shall regularly report to the Conference of the Parties on contributions received and expected as well as their sources, amounts, purposes and conditions.
11. Rule 11 allows the Executive Secretary to commit resources against the Trust Fund only if such commitments are covered by contributions already received. For these purposes the Trustee shall notify the Executive Secretary of any anticipated shortfalls in resources.
12. It is common for Trustee to charge for the administrative support provided to the operation of the Trust Fund. In accordance with Rule 15, such administrative support charge shall be agreed between the Conference of the Parties and the Trustee.
13. Should the Conference of the Parties decide to terminate the Trust Fund, the Trustee shall be notified in advance of the date of termination (Rule 17).
14. Article 22.8 of the Caspian Convention stipulates that all decisions of the Conference of the Parties shall be made by unanimous vote of the Contracting Parties. Rule 18 establishes that, within the limited and predominantly technical context of the Financial Rules, the Parties shall reach agreement on all matters by consensus. Similarly to the Rules of Procedure of the Conference of the Parties, consensus shall be considered an expression of unanimity.
15. Annex I contains a possible format for biannual budget for funding the administration of the Caspian Convention, including the functioning of the Secretariat in accordance with the Secretariat's functions prescribed by Article 23 of the Convention. The staffing and functions are described in general terms and no figures are suggested as this must result from intergovernmental processes.

**Draft Financial Rules for the Administration of the Trust Fund**  
**For the Framework Convention for the Protection of the Marine Environment**  
**of the Caspian Sea**

***Rule 1***

The Conference of the Parties shall designate an organization, body or entity (hereinafter referred to as the Trustee) which shall establish and manage the Trust Fund for the Framework Convention for the Protection of the Marine Environment of the Caspian Sea (hereinafter referred to as the Caspian Trust Fund) in accordance with these rules.

***Rule 2***

For the purposes of these rules:

- (a) "Convention" means the Framework Convention for the Protection of the Marine Environment of the Caspian Sea adopted in Tehran on 4 November 2003;
- (b) "Parties" means Parties to the Convention;
- (c) "Conference of the Parties" means the Conference of the Parties established in accordance with Article 22 of the Convention;
- (d) "Trustee" means an organization, body or entity, which shall establish and manage the Trust Fund for the Framework Convention for the Protection of the Marine Environment of the Caspian Sea;
- (e) "Trust Fund" means the Trust Fund for the Framework Convention for the Protection of the Marine Environment of the Caspian Sea;
- (f) "Executive Secretary" means the head of the Secretariat of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea;
- (g) "Secretariat" means the Secretariat of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea.

***Rule 3***

The Trust Fund shall be used for funding the administration of the Convention, including the functioning of the Secretariat.

***Rule 4***

The Trust Fund shall be financed from:

- (a) Contributions made by Parties based on the scale set forth in the Appendix to the budget;
- (b) Additional contributions made by Parties;

(c) Contributions from sources available through the Caspian Environment Programme and other similar programmes and undertakings;

(d) Contributions from States not Parties, as well as governmental, intergovernmental and non-governmental organizations, and other sources.

### ***Rule 5***

The Conference of the Parties shall determine the scale of contributions referred to in paragraph 3 (a) of Rule 4. Such contributions shall be due on 1 January of each calendar year.

### ***Rule 6***

All contributions shall be paid in United States dollars or its equivalent in a convertible currency and into a bank account to be specified by the Trustee. In conversion of currencies into United States dollars, the United Nations operational rate of exchange shall be used.

### ***Rule 7***

Accounting records shall be kept in such currency or currencies as the Trustee deems necessary.

### ***Rule 8***

Budget proposals expressed in United States dollars covering the expenditure and income from contributions referred to in paragraph 3 (a) of Rule 4 shall be prepared by the Executive Secretary for periods of two calendar years. At least 90 days before the date of the opening of each alternative ordinary meeting of the Conference of the Parties, these budget proposals shall be dispatched by the Executive Secretary to all Parties.

### ***Rule 9***

The budget shall, in accordance with Rule 16, be approved by the Conference of the Parties and, if necessary, be revised at an ordinary or extraordinary meeting of the Conference of the Parties.

### ***Rule 10***

Contributions referred to in paragraphs 3 (b) and (c) of Rule 4 shall be used in accordance with any terms and conditions agreed between the Executive Secretary and the respective contributor. At each ordinary meeting of the Conference of the Parties, the Executive Secretary shall present a report on contributions received and expected as well as their sources, amounts, purposes and conditions.

### ***Rule 11***

The Executive Secretary may commit resources against the Trust Fund only if such commitments are covered by contributions already received. In the event that the Trustee anticipates that there might be a shortfall in resources over the financial period as a whole, it shall notify the Executive Secretary, who shall adjust the budget so that expenditures are at all times fully covered by contributions received.

### ***Rule 12***

The Trustee, on the advice of the Executive Secretary, may make transfers from one budget line to another within the budget.

### ***Rule 13***

Contributions referred to in paragraph 3 (a) above from States that become Parties after the beginning of a financial period shall be made pro rata temporis for the balance of that financial period. Consequent adjustments shall be made at the end of each financial period for other Parties.

### ***Rule 14***

Contributions not immediately required for the purposes of the Trust Fund shall be invested and any interest so earned shall be credited to the Trust Fund.

### ***Rule 15***

It is for the Conference of the Parties and the Trustee to agree on an administrative support charge to be paid to the Trustee.

### ***Rule 16***

At the end of each calendar year, the Trustee shall transfer any balance to the following calendar year and submit to the Conference of the Parties, through the Executive Secretary, the certified and audited accounts for that year as soon as practicable. The Trust Fund shall be subjected to the internal and external auditing procedure, as decided by the Conference of the Parties.

### ***Rule 17***

In the event that the Conference of the Parties decides to terminate the Trust Fund, a notification to that effect shall be presented to the Trustee at least six months before the date of termination selected by the Conference of the Parties. The Conference of the Parties shall decide, in consultation with the Trustee, on the distribution of any unspent balance after all liquidation expenses have been met.

### ***Rule 18***

The Parties shall reach agreement on all matters by consensus.

### ***Rule 19***

Any amendments to these rules shall be adopted by the Conference of the Parties by consensus.

## ANNEX I

### PROPOSED BUDGET FOR 200... AND INDICATIVE BUDGET FOR 200... FOR THE FRAMEWORK CONVENTION FOR THE PROTECTION OF THE MARINE ENVIRONMENT OF THE CASPIAN SEA

(THOUSANDS OF US DOLLARS)

DESCRIPTION OF FUNCTIONS	Year 200...	Costs in US dollars	Year 200...	Costs in US dollars
<b>1. EXECUTIVE DIRECTION AND MANAGEMENT</b>  Executive Secretary  Assistant to the Executive Secretary  Secretary  <u><b>Subtotal 1</b></u>				
<b>2. ADMINISTRATION AND FINANCE</b>  Administrative Officer  Administrative Assistant  Secretary				

<p><b><u>Subtotal 2</u></b></p> <p><b>3. INTERGOVERNMENTAL PROCESSES</b></p> <p>Servicing of COP meetings (2 languages, 5 working days)</p> <p>Travel of staff to COP</p> <p><b><u>Subtotal 3</u></b></p>				
<p><b>4. TECHNICAL ASSISTANCE</b></p> <p>Technical Assistance Officer</p> <p>Secretary</p> <p>Consultants</p> <p><b><u>Subtotal 4</u></b></p>				
<p><b>5. INFORMATION AND COMMUNICATION</b></p> <p>Information and Communication Officer</p> <p>Data Base Operator</p> <p>Secretary</p> <p><b><u>Subtotal 5</u></b></p>				
<p><b>6. EQUIPMENT</b></p> <p><b><u>Subtotal 6</u></b></p>				

<b>7. PREMISES</b>  Rent  Security services  Building maintenance  Utilities (gas, electricity, etc)  Insurance  <u><b>Subtotal 7</b></u>				
<b>8. MISCELLANEOUS</b>  Temporary assistance and overtime  Communications (phone, fax, e-mail, etc)  Recruitment costs/travel on Interviews  Relocation of staff and removal Expenses  Hospitality  Other  <u><b>Subtotal 8</b></u>				
<u><b>Subtotal 1-8</b></u>				
<b>CONTINGENCIES</b> (...% subtotal 1 to 8)				
<b>GRAND TOTAL</b>				



## ANNEX II

**SCALE OF CONTRIBUTIONS BY STATE PARTIES TO THE TRUST  
FUND FOR THE BIANNIUM 200... - 200... FOR  
THE FRAMEWORK CONVENTION FOR THE PROTECTION OF THE  
MARINE ENVIRONMENT OF THE CASPIAN SEA**

(THOUSANDS OF US DOLLARS)

<b>State Party</b>	<b>Year 200...</b>	<b>Year 200...</b>
<b>Republic of Azerbaijan</b>		
<b>Islamic Republic of Iran</b>		
<b>Republic of Kazakhstan</b>		
<b>Russian Federation</b>		
<b>Turkmenistan</b>		