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UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

CONVENTION CONCERNING THE PROTECTION OF THE WORLD CULTURAL AND NATURAL HERITAGE

WORLD HERITAGE COMMITTEE

Thirty-second session

Quebec City, Canada
2 – 10 July 2008

Item 16 of the Provisional Agenda: Report on the execution of the 2006-2007 Budget and adjustments to the 2008-2009 Budget

16B: Sustainability of the World Heritage Fund

SUMMARY

There have been regular and growing concerns regarding the pressures on the World Heritage Fund, which have increased very significantly in the year 2007-2008. These pressures have an impact on the funds available for International Assistance. They also have a major impact on the work of the World Heritage Centre and on the ability of the Advisory Bodies to provide necessary independent advisory services to the Committee. In order to ensure the sustainability of the World Heritage Fund and long term success of the *World Heritage Convention*, and to plan for the next biennium and General Assembly well in advance, it is recommended that a number of key issues be addressed and that the World Heritage Committee create an open ended consultative body (Rule 20 of the *Rules of Procedure of the World Heritage Committee*) whose mandate would be to identify immediate measures and long-term proposals to address the fundamental issues related to the World Heritage Fund. This document has been prepared jointly by the Advisory Bodies and the World Heritage Centre.

Draft Decision: 32 COM 16B, see point II

I. KEY ISSUES

1. In 2007-2008, the World Heritage Centre and the Advisory Bodies faced the following problems:
 - a) Significant reduction of the World Heritage Fund in comparison to the 2002-2003 biennium (33%), due to the utilization of existing reserves in the biennium and the change of value of contributions in the 2004-2005 biennium;
 - b) Decrease in absolute value of the World Heritage Fund due to the fluctuation of the US dollar exchange rates (-25% in comparison to the 2004-2005 biennium);
 - c) The current cycle of contracts requires the Advisory Bodies to advance relevant resources for a period of up to 15 months in order to carry out the work;
 - d) Delays in finalizing the contracts for two Advisory Bodies (up to 5 months in 2008);
 - e) Growth in demand for non-budgeted tasks.
2. There are several reasons for this:

Sustainability and Real Value of the World Heritage Fund

- a) The assessment of the UNESCO Member States contributions directly affects the level of contribution to the World Heritage Fund; the World Heritage Fund can now be considered as being static.
- b) The World Heritage Fund is established in US dollars but most of the expenditures of the World Heritage Fund, and almost 100 % of the expenditure by the Advisory Bodies, are in other currencies. For 2008, alone the decrease in the value of the fund amounts to almost 20%.
- c) Unlike the UNESCO regular budget, which is protected through application of 34C/Resolution 75.II of the General Conference, there is no mechanism to protect the World Heritage Fund from adverse currency fluctuations. Had there been such a mechanism, budgets for International Assistance, the activities by the World Heritage Centre and Advisory Bodies would not have been affected to the same extent.
- d) In the current financial climate, inflation may also become a serious issue of concern in the short-term, in particular as the price of energy continues to increase.

Work Cycles for Nominations

- e) There is a mismatch between the work cycles of the Advisory Bodies, the World Heritage Budget cycle, and the contracts provided: e.g. for the 2008 nominations, the work by the Advisory Bodies started in March 2007 (the previous biennium) and finishes with the 2008 World Heritage Committee meeting. The work for the 2010 nominations (first year of next biennium) will start during the current biennium (March 2009).
- f) Although work for evaluations starts in March of the previous year, the contracts for ICOMOS are only established in the year that they are examined by the World Heritage Committee, which means that ICOMOS is pre-financing every year at least 10 months of work without a contract. To avoid this, IUCN contracts are based on the work done per calendar year.

Cash Flow

- g) In regard to cash flow problems of the World Heritage Fund, the Contingency Reserve in 2008 has not been sufficient in absolute terms to bridge the replenishment of the operating reserve.
- h) The 2008 contributions of the State Parties cover 2008 contracts and expenses; delayed payments have resulted in delays in establishing the contracts by the World Heritage Centre for many of its activities including Advisory Services.
- i) The World Heritage Centre is only allowed to establish contracts for amounts equal to the paid contributions of State Parties to the World Heritage Fund (Rule 4.2 of the *Financial Regulations of the World Heritage Fund*).

Unfunded Tasks

- j) The cost for assessing nominations included in the World Heritage budget is based on an estimate of the average number of nominations. There is no system for adjustment to the real numbers and to the increasing number of complex serial and/or transboundary/transnational nominations that are significantly more expensive to evaluate.
 - k) At each session, the World Heritage Committee requests new tasks to the World Heritage Centre and to the Advisory Bodies. There should be a systematic budgetary provision for each new task or a prioritization of the tasks.
 - l) There are a number of “hidden” tasks of the World Heritage Centre and the Advisory Bodies for which no funding has been provided, which include various aspects of the assessment of nominations previously referred or deferred, assessment of extensions, assessment of minor modifications and name changes (both of which sometimes turn out to be extensions), revision or drafting of Statements of Outstanding Universal Value and Statements of Significance, participation in the Periodic Reporting process in all of the regions, participation in the ongoing changes to the Operational Guidelines, and a growing number of expert meetings organized with extra-budgetary resources which have not included expenses for the World Heritage Centre staff and the Advisory Bodies.
3. The above-mentioned issues relate to 3 categories:
- administrative issues that could be addressed, at least partially, from 2008 onwards through budgetary adjustments (e.g. matching payment schedules in contracts to calendars of activities);
 - issues that need stewardship and priority setting from the World Heritage Committee;
 - policy and financial issues that require detailed consideration with a view to submitting proposals to the General Assembly of State Parties.
4. It is proposed to create an open-ended consultative body (Rule 20 of the *Rules of Procedure of the World Heritage Committee*) to examine the issues that cannot be solved by budgetary adjustments. A draft working paper with technical details has been prepared, and is available upon request. This paper will be finalized and provided to the consultative body by the Secretariat and the Advisory Bodies.
5. The World Heritage Centre and the Advisory Bodies have already discussed contractual arrangements and agreed to some solutions, in particular for the change of contracts & payment cycles. They will continue to work on pending issues.

II. DRAFT DECISION

Draft Decision: 32 COM 16B

The World Heritage Committee,

1. *Having examined Documents WHC-08/32.COM/16A and WHC-08/32.COM/16B;*
2. *Decides to create an open-ended consultative body, according to Rule 20 of the Rules of procedure of the World Heritage Committee with the mandate to:*
 - a) *Propose a system to protect the World Heritage Fund from adverse currency fluctuations,*
 - b) *Examine ways to ensure the continuity of the World Heritage work and the sustainability of the World Heritage Fund in a context of increasing work load and a fixed budget,*
 - c) *Recommend measures that can be implemented by the Director General of UNESCO, by the World Heritage Committee and by the General Assembly of States Parties.*
3. *Invites [XXX] to chair this consultative body and request the latter to submit its report to the World Heritage Committee at its 33rd session in 2009, with a view to present recommendations to the 2009 General Assembly of States Parties.*