



CITES Modernisation Part I
Electronic Permits Implementation Via
Cost Recovery

CITES Information Document

CITES Modernisation Part I – Electronic Permits Implementation Via Cost Recovery

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Background

As the primary regulator and facilitator of the trade in flora and fauna, CITES has an obligation to address the rampant illegal wildlife trade. This is not just an enforcement issue, the system for regulating the legal trade needs to make it difficult to launder illegal items into the market.

The current system of issuing permits and reporting trade data is no longer adequate given the enormous rise in the level of trade since the 1970s. A 2012 UK parliamentary inquiry estimated the legal trade to be worth US\$320bn pa and the World Customs Organisation estimated the illegal trade to be worth US\$91-258bn pa in a 2017 report.

Permit and Data Issues

The issues with the current permit and reporting system have been extensively researched and documented by both academics and NGOs. The main problems are:

1. The ease with which permits can be forged, altered or reused given that they are stand-alone documents, mostly still paper-based and cannot be easily verified at point of departure.
2. The lack of integration with customs systems, resulting in an inability to do validation, pre-clearance, tracing and tracking of shipments.
3. The poor quality of data captured in the CITES trade database, putting into question the very foundation of the decision-making processes in relation to listings.
4. The long delays in the availability of trade data due to the lack of real time reporting.

The eCITES/aCITES Solution

The solution to these problems is equally well-known and has been available for some time. In 2010 CITES signed an MoU with UNCTAD for the creation of eCITES/aCITES, an electronic permitting system fully integrated with both the CITES Appendix listings and customs systems based on ASYCUDA. This system is now available to all Parties and usage is free of charge.

The push towards electronic permitting is supported by the Secretariat, but to-date no Party has fully implemented the eCITES system, mainly due to lack of funding. The eCITES system addresses both the security issues with stand-alone paper permits and the automated generation of trade reports. In addition, aCITES provides integration with customs, traceability and quota control.

Addressing the Need for Funding

Currently CITES receives core funding of around \$US6million pa through the contributions from Parties and voluntary contributions from Parties and NGOs/Foundations for its extended funding. Under this model CITES currently has no ability to assist Parties with the costs of implementing eCITES/aCITES.

In contrast, most regulatory bodies today are enabled by governments to partially or fully recover the cost of regulation from industry participants. This can be done through (volume based) levies or annual registration/certification fees.

CITES permit fees levied by national governments are not directly linked to either trade volume or the cost of regulation. The funds also usually go into consolidated revenue, so are not available directly to national CITES authorities.

Given the urgent need for an electronic permitting solution and integration with customs to close the loopholes exploited by the illegal trade, we propose the creation of a CITES Working Group to study industry cost recovery models that are compatible with the Convention as it stands and can be specifically used to support the roll-out of eCITES/aCITES.

Possible Solutions

We do not advocate cost recovery via CITES permit fees, as this would unduly place the burden of funding onto exporters. Instead, we believe that for reasons of equity, any cost recovery should be from importers.

We propose that the following options are investigated to provide the necessary funding to implement eCITES/aCITES across all Parties:

1. Urging national governments of major importing countries to implement either a volume-based import levy or volume-based registration fee for importers, the proceeds of which can be remitted to the CITES extended fund for the specific purpose of supporting the implementation of electronic permitting.
2. Investigating the financial powers of the Conference of the Parties granted under Article XI of the Convention to see how they might be applied to introduce a funding stream or cost recovery mechanism for the specific purpose of supporting the implementation of electronic permitting.
3. Convening a conference/workshop with the largest companies that are importing high-value products regulated by CITES to make a specific call for voluntary contributions to the CITES extended fund to cover the costs of implementing electronic permitting.
4. Establishing a Cooperation Agreement with the GEF to gain access to GEF Funding to support developing countries in implementing the electronic permitting system.
5. Establishing a voluntary industry certification scheme run by a global NGO that works towards supply chain traceability including electronic permits, electronic permit exchange and integration with customs and uses part of the funding to support developing countries in implementing the electronic permitting system.

6. Investigating other possible mechanism to get industry to contribute to the cost of regulation in relation to electronic permitting, customs integration and real-time reporting.

Contacts

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