CITES Modernisation Part III

Industry Contribution to Costs of Trade

CITES Information Document

CITES Modernisation Part III – Industry Contribution to Costs of Trade

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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 means the legal trade system needs to be resourced and managed to standards consistent with the high regard for endangered flora and fauna and the massive volume of the trade.

The current system essentially offers a 'free ride' to industry, with the exception of the need to obtain CITES permits. As a result, industry is not required to contribute to the increasing costs of managing the legal trade and tackling the illegal trade.

As most of the costs are borne by national governments of exporting countries, we propose to study a mechanism that raises contributions from importers based on the volume of trade and re-distributes funds to both CITES and national governments to manage the trade to standards consistent with the Precautionary Principle and the Preamble to the Convention.

The Need for Funding

When CITES was set up in 1975, the volume of legal trade in flora and fauna was estimated at ~US$2bn. Recent estimates put the legal trade at $US320bn and the illegal trade at up to $258bn. Over the same time period the core funding for CITES has barely changed. Significant funds have been made available by the GEF, US, EU, Germany and the World Bank to tackle the illegal wildlife trade (US$1.2bn over 6 years between 2010 and 2016); yet the illegal trade, according to the United Nations Environment Programme, continue to grow at 2-3 times the pace of the global economy.

With the accelerating global decline in biodiversity and the increasing threats to species from the illegal trade in flora and fauna, there is an urgent need to channel significant funds into better regulation and monitoring of the legal trade; and into enforcement and preventative measures to tackle the illegal trade.

These funds need to come from the industries profiting from the legal trade. Currently profits from the trade in endangered species are privatised, while costs are outsourced; industry does not contribute to the costs of trade beyond token permit fees (mostly on exporters). To address the inherent equity issues of the current system (where the costs of enforcement fall disproportionally on developing countries), the industry cost contrition should come from importers, not exporters.

Raising and Distributing Funds

Given the difficulties in setting up a non-voluntary industry cost contribution scheme, that is compatible with international trade law, we propose to study possible schemes that are implemented and administered by the main importing countries. These are more likely to be 'volume based' annual registration or certification fees rather than using a trade levy.

In order to get industry to participate in the CITES process and therefore make it easier to sell the need for such a cost contribution scheme, we suggest linking this proposal to switching to the 'reverse listing' model as outlined in Part II – Reverse Listing. Under the reverse listing scheme industry participation is ensured, as the burden of proof for listing proposals shifts to industry.

Funds raised through such a scheme could then be added to an established multi-national distribution mechanism such as the Global Environment Facility (GEF). This may require the expansion of the GEF mandate, as there is currently no cooperation agreement between CITES and the GEF. The GEF already distributes funds for the implementation of the Convention on Biological Diversity and allows access to funds to developing countries and 'countries in transition'.

Such a Cooperation Agreement between CITES and the GEF should also make provisions for GEF contributions to the CITES extended fund, to cater for funding transnational programs.

Alternative Approach

Given that implementing the Reverse Listing Proposal (as outlined in CITES Modernisation Part II – Reverse Listing) requires a change to the Articles of the Convention, an alternative route to implementing an industry cost contribution could be via expanding the financial powers of the Conference of the Parties.

Recalling that CITES was initially financed directly by UNEP and did not have fundraising powers, there is a precedent for such an approach. In 1979 UNEP gave 4 years notice to CITES of its decision to cease direct funding of CITES and the Secretariat. A change to Article XI was made in response and fundraising powers were given to the CoP.

Provided the reverse listing model is implemented, industry will have to directly participate in CITES, which would open up the possibility of introducing annual listing fees (which could be coupled to the volume of trade) to implement an industry cost contribution scheme.

Monies raised this way could again be channelled to the GEF for distribution, to reduce the probability of industry being seen as 'buying influence'. Alternatively CITES (or UNEP) could set up an 'industry contributions fund' and a process of disbursement to Parties or programs managed by the CoP.

Establishing a Working Group

We urge CITES to establish a Working Group to seek input from a large variety of bodies (such as UNEP, GEF, World Bank, WTO, WCO etc.) on how such an industry contribution scheme could be structured and administered.

The Working Group should also examine the current financial powers of the CoP and the feasibility of the alternative funding option outlined above.

Contacts

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