



PHILIPPINES

STATEMENT

Financial Rules governing the funding of the COP and the funding of the secretariat and any subsidiary bodies (Cluster III, Issue 8)

SECOND PREPARATORY COMMISSION

27 August 2025

**Delivered by
Director Marco AFL Lopez
DFA-MOAO**

Excellencies, colleagues,

The Philippines is honored to deliver this statement on the various aspects **of the Financial Rules governing the funding of the COP and the funding of the secretariat and any subsidiary bodies**. We wish to see the principles of equity, transparency, accountability, and predictability guide the development of the Financial Rules governing the funding of the COP, the Secretariat, and any subsidiary bodies.

In this regard, the Philippines would like to submit the following proposals and comments to the draft document:

Scope

- In Paragraph 1.2 on the residual application of the Financial Regulations and Rules of the United Nations, we prefer **Option A** since this clearly expresses the precedence of the Financial Rules of the BBNJ-COP over the Financial Regulations and Rules of the United Nations. The latter will only apply in situations where the former has no applicable provision.

Budget

- We welcome the proposed text insertion in Paragraph 3.3 on the submission of budget proposals. We note that the proposed deadlines with a lead time of 45 days and 90 days are reasonable for the submission to the Finance Committee and the COP, to allow ample time to study said budget proposals/reports.
- Paragraph 3.9 provides for the transfers or reallocation of budgeted funds within and/or between appropriation lines. Based on the principle of equity, we are leaning towards

a conservative position of a minimum of 10% among the options presented for the transfers between appropriation lines. Too much flexibility could let funds earmarked for developing States' participation, capacity-building, or technology transfer be diverted elsewhere.

We also would like to see certain safeguards be established, which may be considered "protected lines" and may not be reduced or transferred. In cases of financial shortfalls, protected lines should be prioritized over administrative or non-essential expenses.

Thank you.

II
Delivered by
Undersecretary Alvin John F. Balagbag
DA-BFAR

Thank you Mr. Co-Chair. We would like to submit our comments and inputs on Rule 4 on Funds as follows:

- In Paragraph 4.1 on the establishment of some type of general trust fund, we support Option B. We recommend that the COP designate an organization that shall establish and manage the general trust fund.
- In Paragraph 4.3 on the working capital reserve, we recognize that its purpose is to ensure the Secretariat can maintain operations in case of delays in contributions, unforeseen expenditures, or cash-flow shortages. We note that the last part of Paragraph (a) provides that the COP shall develop further guidelines to ensure that the working capital reserve is used in a transparent and sustainable manner. In this regard, we hope that these guidelines will ensure that: (a) this should not result in an additional burden on developing States; (b) this should not divert resources away from participation and capacity-building; and (c) transparency in the use of the reserve through regular reporting to the COP.
- Based on the principle of predictability, we support Paragraph 4.3(c) which provides that the available funds in the working capital reserve may not be used to cover outstanding contributions by Parties. The working capital reserve may be drawn upon only to cover short-term liquidity gaps. It should not be used to write off, cancel, or cover arrears of Parties. This prevents misuse while still allowing the reserve to maintain cash flow for continuous operations.
- In Paragraph 4.3(g), Option A suggests crediting the remaining funds to miscellaneous income, while Option B proposes to redistribute them to the Parties. In our view, a third

option would be more equitable, that is to transfer the remaining funds to the Special Fund (for participation, capacity-building, and technology transfer).

If we are limited only to the two options provided, we could go along with Option A, crediting the remaining funds to miscellaneous income where funds stay within the system (i.e., principle of predictability) and where all the Parties will benefit from reduced contributions.

In this regard, we hope that the guidelines to be developed by the COP will allow the channeling of miscellaneous income toward participation and capacity-building support, in recognition of special circumstances of developing States.

- We support the opening of the brackets in Paragraph 4.4bis to include ad hoc groups, working groups, or subcommittees in the eligible activities for the voluntary trust fund. This would ensure wider participation of developing States in BBNJ processes.
- As we expressed in our intervention in the voluntary trust fund, we support the participation of indigenous peoples and local communities (IPLCs), hence, we support Paragraph 4.4 *quarter*.
- In Paragraph 4.6 on the rule on the termination of a fund, we take note that it mentions the COP will decide on the distribution of any uncommitted balance after all liquidation expenses have been met. In this regard, we reiterate the point we made in Paragraph 4.3(g) that we see the Special Fund or the Miscellaneous Fund as viable recipients of the said balance.

Thank you.

III
Delivered by
Undersecretary Alvin John F. Balagbag
DA-BFAR

Thank you Mr. Co-Chair. The Philippines would like to submit our comments and inputs on Rule 5 on Contributions as follows:

- We support the removal of brackets in Paragraph 5.1(e) to include income from the investment of contributions not immediately required to miscellaneous income.

We hope that investment income derived from monies earmarked for participation support, capacity-building, or technology transfer is ring-fenced and may not be reprogrammed.

- We support Paragraph 5.2 on adjustments to the scale of assessments to account for contributions States not members of the United Nations and regional economic integration organizations. We hope that the COP, in this regard, will:
 - (a) ensure a transparent methodology so that developing non-Members are treated equitably and not penalized with disproportionate contributions;
 - (b) allow flexibility for LDCs, LLDCs, SIDS, that may not be Members but face special circumstances; and (c) avoid non-Members paying artificially low “symbolic” amounts, which could reduce the overall budget and shift the burden to others.
- On Paragraph 5.3(a) regarding the payment schedule for assessed contributions, we are still considering the Options and would like to hear other delegations on this. However, we see the practicality of Option A. With a single due date, it seems predictable and simpler to administer.
- We support Paragraph 5.3(d) for providing for the extension of payment deadline for LDCs, SIDS. We note the proviso stating, “An appropriate payment schedule may be agreed between the head of the Secretariat and the Party.” This takes into consideration the special circumstances of developing State Parties facing sustained hardship by giving them a longer payment plan.
- Paragraph 5.3(e) offers payment schedule options for eligible Parties in arrears to clear all outstanding arrears within 6, 4, or 2 years. We would opt for the longest payment schedule, but 4 years could be reasonable.
- We do not support the consequences laid down in Paragraph 5.3(f) for Parties in arrears (i.e., loss of membership in the Bureau and any subsidiary body, loss of the right to vote at any COP meeting). We appreciate the provision for “redeeming rights” once the Party enters and respects a payment plan.
- Paragraph 5.3(g) offers 2 Options for the assessed contributions from States and regional economic integration organizations that become Parties to the Agreement after the beginning of a financial period. We are still considering our position and would like to hear other delegations weigh in on this. But we are leaning towards Option A as its provision for *pro rata temporis* for the balance of the financial period is clearer to us and easier to understand. Pro-rata by months is fair and simple - but we would like to highlight that we must protect new developing Parties with either a reduced first year contribution or a deferred schedule.
- Paragraph 5.4 provides for voluntary contributions made by Parties and through public and private sources. We support the opening of the brackets to provide for the conditions for such contributions. We would like to underscore that these conditions should prioritize the objectives of the Agreement and the equity agenda: participation, capacity building, and technology transfer for developing states. Transparency is critical, the voluntary contributions should be disclosed in Secretariat reports. In the

spirit of predictable financing, voluntary funds must be pooled into Special Fund windows, not fragmented into donor-driven projects.

- Paragraph 5.7 provides options for investment of contributions not immediately required. We are still studying the options. However, we support safe and transparent investment of contributions. We would like to see such income be channeled to priority needs of developing States, especially participation and capacity building. We also espouse for transparency in investment reporting - that is disclosure of where funds are placed, how much income is generated, and how it is used.

III
Delivered by
Undersecretary Alvin John F. Balagbag
DA-BFAR

Thank you Mr. Co-Chair. The Philippines would like to provide the following comments on the remaining rules **governing the funding of the COP, the secretariat and any subsidiary bodies**:

Auditing and accounts

- For Rule 6 on Auditing and Accounts, we are leaning towards Option I that relies on the United Nations audit process for the auditing of accounts and financial management with preference for Option A in Paragraph 6.2.

We would like to emphasize the protection of ring-fenced resources. Audit procedures must verify that resources ring-fenced for participation, capacity-building and technology transfer have not been diverted. Any such diversion must be reported as a material finding. Audits protect everyone, they are needed to ensure resources meant for developing States and capacity-building actually reach those ends.

Administrative support costs

- We support Paragraph 7.2 in mandating developed States not Party to the Agreement to contribute to the expenses of the meetings of the COP and subsidiary bodies in which they participate as observers. These meetings are expensive by covering interpretation, documentation, and staff work. If non-Parties participate without contributing, the burden falls disproportionately on Parties - especially developing States. We need COP meetings to be affordable and efficient, otherwise limited budgets reduce our ability to send delegates.

Thank you.

END.