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<b>§Document title</b>	Budget for 2020-2021, draft budget estimate for 2021-2022 and a long-term budget framework
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<b>Agenda Item</b>	7- Accounts 2018–2019, budget 2020–2021 and other institutional and organisational matters of the Commission
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## Background

HELCOM 40-2019 recognized that the HELCOM budget has been frozen since the financial year 2012-2013, including the HQ contribution, while at the same time inflation has resulted in increased costs of the operations of the HELCOM Secretariat and services provided to HELCOM. The Meeting acknowledged the need to address this issue in a step-wise manner in the HELCOM budget and that there should be a longer-term budget framework developed. In this regard, the Meeting also noted the two major ongoing and upcoming HELCOM activities, the update of the Baltic Sea Action Plan (BSAP) and HOLAS III, both of which have major implications for the HELCOM budget. Therefore, HELCOM 40-2019 mandated the Heads of Delegation to further discuss and decide on the budget proposal for the financial year 2020-2021 and a long-term budget framework.

Thus, HOD 56-2019 considered and discussed the budget proposal for the financial year 2020-2021 and a long-term budget framework prepared on the basis of guidance provided by HELCOM 40-2019, reflecting the information requests raised by the Contracting Parties. In particular, the meeting noted the demonstrated cost-efficiency achieved in the HELCOM work. HOD 57-2019 further discussed the budget for the financial period 2020-2021 and advised the Executive Secretary to submit the budget proposal for the financial period 1 July 2020 to 30 June 2021 to HELCOM 41-2020 for official adoption and the draft budget estimate for 2021-2022 for official endorsement.

Further, the Secretariat organized on 30 January 2020 the meeting announced in HOD 57-2019 in order to clarify remaining questions some Parties had regarding the HELCOM budget and accounts. Estonia, Finland, Latvia and the Russian Federation took part in the meeting and had constructive discussions on HELCOM budget and accounts. The Contracting Parties that did not attend the meeting on 30 January were subsequently informed of the discussions. Based on the meeting held and further correspondence with the Heads of Delegation, a further refined budget is proposed in this document for the financial period 1 July 2020 to 30 June 2021.

As the proposed budget for the financial period 2020-2021 does not yet reach the equal share contribution stated in Article 22.3 of the Helsinki Convention, the Contracting Parties reaffirm their intention to strive for the payment of equal budget shares in monetary terms, as noted by HELCOM 40-2019, and instruct the Secretariat to continue its work on developing a proposal for such a plan.

Attachment 1 contains the draft income budget for the financial period 1 July 2020 to 30 June 2021 and draft budget estimate for financial year 2021-2022.

Attachment 2 contains the proposal for a long-term budget framework.

Attachment 3 contains the draft expenditure budget for the financial year 2020-2021.

Attachment 4 contains a 3-year budget development comparison.

Attachment 5 lists the additional funding from the Contracting Parties during the recent years.

Attachment 6 lists European Commission funded projects categorized by topic.

Attachment 7 contains the HOD 56-2019 document 4-2 describing the background for the budget proposal and details the needs for the budget increase. The document attachments have been left out in order to avoid repetition.

### Action requested

The Meeting is invited to consider and adopt the budget for the financial period 1 July 2020 – 30 June 2021 and endorse the draft budget estimate for the financial period 1 July 2021 – 30 June 2022. Further, the Meeting is invited to consider the long-term budget framework.

## HELCOM budget for 2020-2021 and a long-term budget framework

In the next chapters both the income and the expenditure budget as well as the long-term budget framework will be explained in more detail. The background, budgetary needs and justification for the budget increase are not further explained in detail in this document. The HOD 56-2019 document 4-2 describing those budgetary needs in more detail is attached to this document (attachment 7). Additionally, the background can be further read up on in HELCOM 40-2019 document 5-4 and HOD 57-2019 document 5-2 as well as the relevant outcome paragraphs.

After HOD 57-2019, there was a meeting organized at the Secretariat to clarify the remaining issues regarding HELCOM budget and accounts any Contracting Party may have. Based on the discussions and needs raised in the mentioned meeting and the subsequent correspondence with all the Contracting Parties, an updated budget was calculated and is presented in this document.

For the financial period 2020-2021 the goal of paying equal shares in monetary terms cannot yet be reached. However, the long-term budget framework presented in attachment 2 includes a proposal for reaching the equal shares in monetary terms for all the Contracting Parties other than the European Commission.

As stated in HOD 56-2019 and HOD 57-2019, the Secretariat is in a process of modernizing the administrative tools, including the bookkeeping system. As a result of that, the budget lines will also be updated and restructured. The Secretariat acknowledges the need of modernizing both the systems and the budget lines and emphasizes that this needs to happen simultaneously as the current bookkeeping system, which dates back in time, has its limitations. Therefore, only minor changes to the budget lines have been introduced to the expenditure budget for the financial year 2020-2021.

### **Income (attachment 1) and long-term budget framework (attachment 2)**

HOD 56-2019 welcomed the information that Finland made a positive decision to increase the annual Headquarters' (HQ) contribution with 30.000 €, summing up to 322.000 € starting from the financial year 2020-2021. The increased HQ contribution is reflected in the income budget in attachment 1.

In the attachment 1, the increase of 3 % for the annual contributions from the Contracting Parties is proposed for the financial year 2020-2021 for most of the Contracting Parties, as was presented and discussed in HELCOM 40-2019, HOD 56-2019, HOD 57-2019 and by correspondence with the Heads of Delegations during January and February 2020. The proposed way forward is to cover the inflation that has taken place over the past years and some budgetary gaps that have been created during the budget freeze.

HOD 56-2019 recognized that the compensation for the inflation amounting to 1,5 % should be included in the budget proposals following the budget year 2020-2021. The inflation compensations can be seen in attachment 2. HOD 56-2019 further took note, that all the budget lines within the HELCOM budget are affected by inflation and therefore, the inflation compensation of 1,5 % is calculated for the total budget. As requested by HOD 56-2019 and HOD 57-2019, the annual 1,5 % inflation compensation is to be included each time in the budget proposal, but it needs to be decided on annual basis.

In addition to annual contributions from the Contracting Parties, a substantial amount of external funding is received from different European Union financing instruments for various projects. During the financial year 2017-2018, the total amount of external project funding was 588.477 € and during the financial year 2018-2019 it amounted to 328.748 €. The difference in the figures is caused by the project reporting schedules. The number and size of the projects has remained on the same level, but during the past financial year, several project payments did not take place before the end of the financial year. For the financial year 2019-2020, external funding from the European Commission through various projects is estimated to be 510.000 €. The actual figure will depend on projects' spending and payment schedules. The figure contains funding for HELCOM and in the coordinated projects also for other project partners for project activities contributing

to HELCOM work. Annex 6 lists the externally funded projects during the financial year 2018-2019 and are categorized by topic. Further, HOD 57-2019 document 6-1 describes the projects HELCOM participates in or coordinates and includes also budgetary information of the projects.

Further, as HELCOM regular costs have, due to inflation and increase of prices, been demanding a continuously larger part of the HELCOM budget, there have not been sufficient funds from the regular HELCOM budget to carry out many of the HELCOM activities and processes taking place in a project format. Therefore, during the past and current financial years, HELCOM has received substantial amounts of project funding as special contributions from several Contracting Parties. For example, the BSAP Update project has been funded by Sweden in total with 195.000 €. In total, during the financial years 2018-2019 and 2019-2020, total of 339 141 € additional funding was received or will be received from the Contracting Parties. All the recent special contributions from the Contracting Parties are listed in the attachment 5. Special contributions have been extremely important means of filling the gaps in the HELCOM regular budget. However, it is very important to find resources from the HELCOM regular budget for example for the upcoming HOLAS III project to ensure that the project can be implemented according to the timeline and to allow the Secretariat to plan and resource the project accordingly.

### **Expenditures (Attachment 3)**

As mentioned above, the budget lines for the financial year 2020-2021 are the same as previously. The proposed increase of 3 %, as well as the increase in the HQ contribution, is distributed as needed. Below the different budget lines are described in more detail.

The Chapter 5 Communications, 6 Rent and maintenance of the Office and 8 Material and equipment are paid from the Finnish Headquarters' contribution.

Chapter 1 covers costs for organizing and participating in meetings within the HELCOM context: the annual HELCOM meeting, the HOD meetings, meetings of the HELCOM Groups and meetings related to the subsidiary groups and the mandates of the Groups. Most of these costs are travel costs of the Secretariat staff attending the meetings. As a change from last year and with a view to enhancing clarity, costs of some smaller meetings organized by the Secretariat are transferred to this chapter from Chapter 9 Miscellaneous. Further, the Secretariat's participation in meetings and conferences other than those of HELCOM working groups are paid from Chapter 4 Travels. Meeting costs of HELCOM external projects are not paid from this chapter but are covered directly by the projects.

Chapter 2 covers the salaries and pension fees of the personnel of the Secretariat (excluding project staff) as well as insurance premiums, occupational healthcare fees, dependency allowances, education grants and installation and separation costs for new and departing staff members.

The proposed allocations for Chapter 3 are based on requests from the HELCOM Groups on existing contracts for data handling and consultant services.

Chapter 7 Publication and information activities cover the costs for publications as well as other information and PR material and activities such as participating in exhibitions. Also, the part of the ICT and data services that are not paid by the HQ contribution are covered from this chapter. The proposed budget for this chapter is bigger due to the budgetary gaps that developed during the budget freeze. Especially ICT costs, which form the biggest part of this chapter, have been strongly growing during the past ten years, while the HELCOM budget has remained on the same level. In addition, there are slightly larger needs on the communication budget during the financial year 2020-2021, due to the upcoming ministerial meeting.

Chapter 9 Miscellaneous consists of various expenditures that do not fall under any other chapter. These are for example bank charges, the budgeted transfers to the Working Capital Fund as well as the Secretariat's staff training and seminars. Still, as a new expenditure a negative bank interest has been budgeted under this

chapter, as a result of change in the bank's policy, due to the current interest policy of the European Central Bank.

Chapter 10, Meeting support, is used for financial support to enable representatives of the Russian Federation to participate in various meetings under the HELCOM umbrella.

Chapter 11 includes all the HELCOM internal projects that are funded from the regular HELCOM budget. The projects, including their budgets, are each time separately decided by the Heads of Delegation. In the budget line 11.17 (Other projects) the sum of 17.000 € is not bound to any particular contract but is budgeted for new projects. This sum used to be considerably bigger during the previous years and has proven to be very useful as all the needed processes and projects are not yet foreseen by the time the budget proposal is made and approved. Still, the HOLAS III sub-project HELCOM Data Flow is subject to approval, the project proposal is being submitted to this meeting.

HELCOM internal projects are subject to inflation increase such as any of the other budget lines, as they also consist for example of travel and subcontracting costs as wells as salaries. However, the project budgets remain as decided by the Heads of Delegation and possible increases are budgeted and proposed only when new projects are decided upon. The cost categories in the projects vary depending on the project. Some of the project budgets consist almost entirely from salaries, such as 11.55 HELCOM indicators and 11.59 PLC Annual and some are mostly subcontracting costs, such as project 11.56 PLC-7 and PLC-8.

As explained above, many of the HELCOM projects receive special contributions from the Contracting Parties. When the projects are entirely funded by these special contributions, they are not included in the project list in the attachment 3. Also, the externally funded projects HELCOM coordinates or participates in are not included in the budget as they are not funded by the regular HELCOM budget.

The budget of the present financial year and some additional information regarding budgetary allocations for data handling and consultant services (Chapter 3) and for projects (Chapter 11) under the HELCOM umbrella are also included in the table in attachment 3 for ease of reference.

## ATTACHMENT 1

Income budget proposal for the financial year 2020-2021 and draft budget estimate for the financial year 2021-2022 (EUR)

		3,0 %	1,50 %
	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
	<b>Current Budget year</b>	<b>Proposal to be adopted by HELCOM 41-2020</b>	<b>Draft budget estimate</b>
1. HQ contribution by Finland	292 000	322 000	322 000
2. Contributions by CPs			
2.1 Denmark	184 577	190 114	192 966
2.2 Estonia	184 577	184 577	190 114
2.3 European Union	49 815	51 309	52 079
2.4 Finland	184 577	190 114	192 966
2.5 Germany	184 577	190 114	192 966
2.6 Latvia	179 377	184 577	190 114
2.7 Lithuania	179 377	184 577	190 114
2.8 Poland	184 577	190 114	192 966
2.9 Russia	184 577	190 114	192 966
2.10 Sweden	184 577	190 114	192 966
3. Interest and other income	0	0	0
4. Transfer from Working Capital Fund	0	0	0
5. Other contributions	0	0	0
<b>TOTAL INCOME</b>	<b>1 992 608</b>	<b>2 067 724</b>	<b>2 102 217</b>

## ATTACHMENT 2

## Proposal for a long-term budget framework

		3,0 %	1,50 %	1,50 %	1,50 %
	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
	<b>Current Budget year</b>	<b>Proposal to be adopted by HELCOM 41- 2020</b>	<b>Draft budget estimate</b>	<b>Budget estimate</b>	<b>Budget estimate</b>
1. HQ contribution by Finland	292 000	322 000	322 000	322 000	322 000
2. Contributions by CPs					
2.1 Denmark	184 577	190 114	192 966	195 860	198 798
2.2 Estonia	184 577	184 577	190 114	195 860	198 798
2.3 European Union	49 815	51 309	52 079	52 860	53 653
2.4 Finland	184 577	190 114	192 966	195 860	198 798
2.5 Germany	184 577	190 114	192 966	195 860	198 798
2.6 Latvia	179 377	184 577	190 114	195 860	198 798
2.7 Lithuania	179 377	184 577	190 114	195 860	198 798
2.8 Poland	184 577	190 114	192 966	195 860	198 798
2.9 Russia	184 577	190 114	192 966	195 860	198 798
2.10 Sweden	184 577	190 114	192 966	195 860	198 798
3. Interest and other income	0	0	0	0	0
4. Transfer from Working Capital Fund	0	0	0	0	0
5. Other contributions	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>1 992 608</b>	<b>2 067 724</b>	<b>2 102 217</b>	<b>2 137 600</b>	<b>2 164 835</b>

## Expenditure budget for the financial period 2020-2021 (EUR)

## ATTACHMENT 3

		2019-2020		2020-2021 draft		remarks
1.	Meeting Expenses		113 000,00		118 000,00	Some events have earlier been included in Chapter 9 (about 5.000 €) and have been transferred to meetings, where they better fit
2.	Salaries and remunerations		999 000,00		1 014 000,00	1,5 % increase in the salary budget
3.	Data handling and consultant services		153 000,00		156 800,00	
3.1/1	COMBINE database	65 000,00		65 000,00		contract valid 2017-2019, new contract for 2020-2022 under preparation.
3.1/5	PLC WATER	24 000,00		24 000,00		Database hosting, contract valid for 2018-2019, new contract under preparation. According to HELCOM 39-2018 para 5.3. Part of the the budget has been transferred for Chapter 11 "PLC Annual"
3.2/2	EMEP Centers (PLC AIR)	53 000,00		53 000,00		contract valid 2017-2020
3.3	Cooperation with ICES and other expertise	11 000,00		14 800,00		Joint HELCOM-OSPAR registry ca. 5,000€ (HOD 49-2015, para 4.33), and HELCOM continuous noise monitoring data (HELCOM 40-2019, para 3.40).
4.	Travels		43 000,00		43 000,00	
5.	Communications *)		63 000,00		77 000,00	
6.	Rent and maintenance of the Office *)		180 000,00		188 000,00	
7.	Publications and information activities		80 000,00		90 000,00	
8.	Material and equipment *)		49 000,00		57 000,00	
9.	Miscellaneous		26 000,00		29 000,00	
	Other miscellaneous	25 000,00		19 000,00		
	Replenishment of WCF	1 000,00		5 000,00		
	Negative bank intrest			5 000,00		
10.	Meeting support		8 000,00		7 000,00	
11.	Projects		278 608,00		287 924,00	
11.15	Integrated information system	39 000,00		21 588,00		Needed updates in the HELCOM information, communication and management systems. During 2019-2020 modernizing HELCOM administrative tools (including bookkeeping system) and updating HELCOM external website, during 2020-2021 preparing for creating a better user management system.
11.17	Other projects	11 448,00		17 000,00		non-earmarked funds for new projects/additional needs
11.49	HELCOM PEG QA II	6 660,00		6 160,00		HOD 55-2018, para 4.59 (total 16.480 €, 2020-2022).
11.50	HELCOM FISH PRO II and III	5 500,00		5 500,00		HOD 53-2017 approved continuation 2018-2023, total budget 27.500 € (para 3.58).
11.55	HELCOM CORE INDICATORS AND DATA UPDATE WORK	48 000,00		50 000,00		HOD 48-2015, para 3.64; HOD 51-2016; HOD 54-2018 approved the project until 2021 (para 4.25).
11.56	HELCOM PLC 7 and PLC 8	75 000,00		58 676,00		HOD 51-2016, para 6.79 (total 300,000 € until 2021). For 2019-2020: 70,000 € + 5,000 € (as the sum requested for budget 2016-2017 could not have been earmarked fully). 2020-2021 according to the project budget.
11.58	BSAP UP	50 000,00		35 000,00		HOD 55-2019, document 3-1: 70.000 € for BSAP UP project Manager, including 50.000 € from HELCOM budget for the financial year 2019-2020 and 35.000 € (+tentatively 20.000 €) for 2020-2021.
11.59	PLC Annual	43 000,00		47 000,00		Project earlier included in Chapter 3.1/5.
	HOLAS III: HELCOM data flow			47 000,00		Project application submitted to this meeting.
	<b>TOTAL</b>		<b>1 992 608,00</b>		<b>2 067 724,00</b>	
*) Paid from the Finnish Headquarter contribution						

## ATTACHMENT 4

## 3-year budget development comparison (EUR)

	<b>2020-2021</b>	<b>2019-2020</b>	<b>2018-2019</b>	
<b>INCOME</b>	<b>Draft budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>
1. HQ contribution by Finland	322 000,00	292 000,00	292 000,00	292 000,00
2. Contributions by CPs				
2.1 Denmark	190 114,00	184 577,00	184 577,00	184 577,00
2.2 Estonia	184 577,00	184 577,00	184 577,00	184 577,00
2.3 European Union	51 309,00	49 815,00	49 815,00	49 815,00
2.4 Finland	190 114,00	184 577,00	184 577,00	184 577,00
2.5 Germany	190 114,00	184 577,00	184 577,00	184 577,00
2.6 Latvia	184 577,00	179 377,00	179 377,00	179 377,00
2.7 Lithuania	184 577,00	179 377,00	179 377,00	179 377,00
2.8 Poland	190 114,00	184 577,00	184 577,00	184 577,00
2.9 Russia	190 114,00	184 577,00	184 577,00	184 577,00
2.10 Sweden	190 114,00	184 577,00	184 577,00	184 577,00
2.11 Special contributions	0,00	0,00	0,00	20 814,00
3. Interest and other income	0,00	0,00		0,00
4. Transfer from Working Capital Fun	0,00	0,00	0,00	0,00
5. Other contributions	0,00	0,00	0,00	328 747,66
<b>Total income</b>	<b>2 067 724,00</b>	<b>1 992 608,00</b>	<b>1 992 608,00</b>	<b>2 342 169,66</b>
	<b>2019-2020</b>	<b>2019-2020</b>	<b>2018-2019</b>	
<b>EXPENDITURE</b>	<b>Draft budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>
1. Meeting Expenses	118 000,00	113 000,00	113 000,00	87 207,28
2. Salaries	1 014 000,00	999 000,00	997 000,00	996 925,37
3. Data handling/consultant services	156 800,00	153 000,00	193 000,00	193 000,00
4. Travels	43 000,00	43 000,00	42 000,00	67 543,17
5. Communications	77 000,00	63 000,00	67 000,00	67 166,35
6. Rent and maintenance	188 000,00	180 000,00	174 000,00	180 626,88
7. Publications&other info.material	90 000,00	80 000,00	80 000,00	80 000,00
8. Material and equipment	57 000,00	49 000,00	51 000,00	44 206,77
9. Miscellaneous	29 000,00	26 000,00	30 000,00	24 226,17
10. Meeting support	7 000,00	8 000,00	6 600,00	6 377,58
11. Projects	287 924,00	278 608,00	239 008,00	588 569,66
12. Advances				-5 000,00
<b>Total expenditure</b>	<b>2 067 724,00</b>	<b>1 992 608,00</b>	<b>1 992 608,00</b>	<b>2 330 849,23</b>

**ATTACHMENT 5**

## Additional funding from the Contracting Parties during the financial years 2017-2020

Financial periods 2018-2019 and 2019-2020

- BSAP Update project
  - o Finland: 15.000 €
  - o Sweden: 195.000 €
  
- Checklist project
  - o Sweden: 18.750 €
  - o Finland: 15.000
  
- Mai Cart Oper finalization
  - o Germany: 6.667 €
  - o Finland: 6.667 €
  - o Denmark: 6.667 €
  
- Project to update the Response manual
  - o Finland: 15.000 €
  - o Sweden: 10.000 €
  
- Underwater noise database
  - o Germany: 10.000 €
  - o Sweden: 9.200 €
  - o Denmark: 5.000 €
  
- Eutrophication test assessment development
  - o Sweden: 4190 €
  - o Germany: 4.000 €
  
- Enired II project
  - o Germany: 20.000 €
  - o Sweden: 4.000 €
  - o Finland 3.000 €

Financial period 2017-2018

- Holas II project
  - o Sweden: 47.816 €
  
- EMEP work
  - o Germany: 8.500 €

**ATTACHMENT 6**

## List of externally funded projects on the financial period 2018-2019 categorized by topic

**Water cooperation and microplastics**

- Platform on Integrated Water Cooperation (BSR Water)
- Initiatives to remove microplastics before they enter the sea (FanPLESStic-sea)

**Shipping**

- Clean Shipping Project Platform (CSHIPP)
- Environmental impact of low sulphur ship fuel: measurements and modelling strategies (EnviSuM)
- Completing management options in the Baltic Sea Region to reduce risk of invasive species introduction by shipping (COMPLETE)
- Open-source tools for regional risk assessments for improved European preparedness and response at Sea (OpenRisk)
- Communication support for BALEX DELTA 2018
- Western Mediterranean Region Marine Oil & HNS Pollution Cooperation (West MOPoCo)

**Manure management**

- Sustainable manure and nutrient management for reduction of nutrient loss in the Baltic Sea Region (SuMaNu)
- Advanced manure standards for sustainable nutrient management and reduced emissions (Manure Standards)

**Maritime Spatial Planning**

- Horizontal Action "Spatial Planning" Support 2 (HASPS III)
- Coherent Linear Infrastructures in Baltic Maritime Spatial Plans (BalticLINes)
- Pan Baltic Scope
- Strengthening the capacity of MSP stakeholders and decision makers (Capacity4MSP)

**Coastal fishing**

- Development, promotion and sustainable management of the Baltic Sea Region as a coastal fishing tourism destination (RETROUT)

**Across the HELCOM work**

- Actions to evaluate and identify effective measures to reach GES in the Baltic Sea marine region (HELCOM ACTION)
- Baltic and North Sea Coordination and Support Action (BANOS CSA)

## ATTACHMENT 7

## HOD 56-2019 document 4-2 - HELCOM budget for 2020-2021 and a long-term budget framework

### Introduction

During the years 2012-2014, HELCOM went through a streamlining process that was done in order to better prepare HELCOM to cope with increasing changes in marine and maritime governance, to maintain and strengthen the inter-linkage with other international frameworks, and to ensure forward-looking and focused agenda well reflecting priorities of the Contracting Parties. The process resulted in a modernized organization, increased efficiency and better use of the limited resources.

An example of recent efficiency in HELCOM work is HOLAS II project. The resulting second holistic assessment of the Baltic Sea serves the needs of the countries related to both HELCOM and other international instruments, notably of the MSFD as far as EU countries are concerned, and national work.

Furthermore, externally financed projects HELCOM is able to prepare and which HELCOM leads provide additional resources to the countries for carrying out the work according to the agreed priorities. For instance, the total value of the EU support within the HELCOM projects Baltic BOOST, TAPAS, SPICE and ACTION during the years 2015-2020 amounts to 2.2 million euro, with the Contracting Parties being beneficiaries to the projects, in addition to the Secretariat for the work that serves the entire HELCOM.

Overall project funding received mainly from different European Union financial instruments is extremely important and a notable addition to carry out agreed activities. During the financial year 2017-2018 external project funding from European Union was in total 588.477 euro and in 2016-2017 in total 542.104 euro. HELCOM is able to achieve remarkably more with the help of the European Union project funding. However, as project funding is available for specific topics that are prioritized at a given time, it is not possible to attract funding for all HELCOM agreed activities and topics which thus need to be covered by HELCOM and Contracting Parties funding. In Annex 5, the currently run externally funded projects with HELCOM involvement are categorized by the topic.

Another example of cost-efficiency has been decreasing the frequency of meetings of some groups as a result of the streamlining work and the increasing number of online meetings during the past years. Further, in order for the Secretariat to ensure the best cost efficiency, the policy is to always consider carefully the needed services and purchases and to make call for bids for at least three different service providers also in case of smaller purchases.

The best show-case of budget efficiency that has already been achieved in HELCOM during the past years, are the results and work achieved with the budget that has remained the on same level over the last seven years while the costs have continuously been increasing. This naturally hasn't been possible without the Secretariat constantly looking for savings in the budget and increasing the effectiveness of the work. However, as this has been the case already for several years, it has led to a situation where it is not possible to find solutions for the budget shortage anymore with these means. Still, the Secretariat continues to closely monitor and evaluate the budget and the costs in order to ensure the best use of the available budget.

### HELCOM Budget

HELCOM budget for the current and previous years has been 1.992.608 euro. According to the HELCOM Financial rule, the budget consists of annual contributions made by Contracting Parties and Finland's headquarters' (HQ) contribution. As explained in the Financial Rule 4.1, the host country, Finland, pays the

HQ contribution covering the rent and maintenance costs of the office, the communication costs as well as the material and equipment costs. The remaining costs are to be covered from the annual contributions from the Contracting Parties. Furthermore, Contracting Parties occasionally provide additional contributions to the HELCOM budget for specific purposes.

#### HQ contribution

HELCOM 40-2019 (para 5.8) took note of the information by Finland that discussions with the Secretariat regarding the Finnish Headquarter Contribution have been initiated in order to come up with a solution prior to HOD 56-2019. The discussions resulted in a positive decision by Finland to increase the HQ contribution with 30.000 €, summing up to 322.000 euro starting from the financial year 2020-2021, as can be seen in the attachment 1. As the issues regarding the HQ contribution have been successfully resolved, the costs in the Headquarter budget are not further addressed in this document.

#### Additional contributions by CPs

In addition to the annual contributions from the Contracting Parties (CP), HELCOM receives occasional additional funding from the CPs for different HELCOM internal projects. In the financial period 2017-2018 there was a contribution from Germany for EMEP work. Also, Sweden funded the HOLAS II project (in more detail see attachment 4). For the financial period 2018-2019, there have so far been additional contributions from Finland for the BSAP Update project and from Finland and Sweden for Checklist project. Still, Germany, Finland and Denmark funded the finalization of MAI CART OPER project. Further, Germany, Sweden and Denmark have offered contributions for the Underwater noise database and Finland and Sweden for the Update of the Response Manual (in more detail, see attachment 4). These additional contributions from the Contracting Parties are explained in the annual financial statement of the Commission. They are very important contributions for executing the HELCOM projects and agreed activities but do not provide a solution for the problem in risen cost levels throughout the HELCOM budget.

#### Budget proposal

HOD 55-2018 and HELCOM 40-2019 noted that HELCOM budget has remained on similar level for the last seven budget years, with as little as 2% overall increase since 2012-2013 (in more detail see attachment 3), while at the same time inflation has resulted in increased costs of the operations of HELCOM Secretariat and services provided to HELCOM. Thus, Secretariat proposes that HELCOM budget will be updated for the level to cover the current needs in order to ensure that Secretariat and HELCOM is able to fully execute its responsibilities.

Therefore, an increase of 3 % for the annual contributions from the Contracting Parties is proposed for the financial year 2020-2021 as can be seen in the attachment 1. The same year, the countries that are behind the current contribution level, would reach the funding level of the financial year 2019-2020 and further the level of the other countries gradually, in order to meet the requirement of paying the Equal Shares. The proposed way forward is to cover the inflation that has taken place over the past years and some budgetary gaps that have been created during the budget freeze.

Further, Secretariat proposes an annual compensation of 1,5 % in the budget to partly reflect the inflation in Finland (attachment 2). This inflationary compensation is proposed for the consecutive years after the first increase. In the table, the progress is shown until the financial year 2022-2023.

As suggested by HELCOM 40-2019 (para 5.7), the Secretariat investigated how inflation has been considered in the budget of other international organizations. In OSPAR, an outline budget is created for five years subsequent to the general budget. In the outline budget, inflation is taken into account based on OECD's inflation rate forecast. For the years 2020-2024 this results in 2 % annual inflation compensation in the OSPAR budget.

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In the following chapters the most important reasons for increased costs in HELCOM budget are described. Inflation can be observed in different degree throughout the budget, but some especial elements of the budget paid from the CP contributions are covered below in more detail.

#### a) Working Capital Fund

According to HELCOM financial rules 3.3-3.5, the Working Capital Fund (WCF) should amount to minimum of 11 % and maximum of 15 % of the total budget. Unfortunately, due to lack of resources, it has not been possible to reach the level of WCF set in the rule, although there has been an attempt to replenish the fund yearly with smaller installments. In the last financial period, the WCF was 8,7 % of the total budget.

#### b) Inflation and services

At the same time as HELCOM budget has increased only 2 % since the financial year 2012-2013, there have been significant increases in the price levels in Finland. The overall cumulative inflation in Finland since the year 2012 has been 4,6 %. Inflation can be observed in different degree throughout all the budget lines (meetings and travels, salaries, data and consultation services, communications, rent and maintenance, information activities and material and equipment). However, when looking at the prices of some services regularly bought in HELCOM, the increases in the price levels have been substantially higher than the overall cumulative inflation percentage, as the inflation rate takes into account all customer goods.

HELCOM buys services for several different purposes. The services paid from the regular CP contributions concern for example information activities such as building websites and making the publication layouts and printing. Also, different services related to meetings are bought regularly. These are for example providing venue and catering as well as different technical solutions for the meetings. An example from the meeting expense increases is the room rent for the annual HELCOM meeting at Marina Congress Center that has increased 29 % since the year 2011. Most of the other services in the budget categories funded by CP contributions are not bought every time according to the same requirements and from the same service providers and therefore, exact price development is impossible to show.

#### c) Staff

Another example of the increasing costs is related to staff. The HELCOM Secretariat staff is divided in Professional staff (P-staff, 6 staff members), General staff (G-staff, 7 staff members) and project staff (currently 17 staff members). HELCOM staff members in the General staff category receive an index rise in their salary every third year, based on the overall inflation rate in Finland. The salaries of the other staff categories have remained at the same level for many years, without any updates to reflect the inflation. An immediate need is to adjust the starting salary level for the project staff (researcher/coordinator/manager) in order for the salaries to keep their real value and ensure HELCOM remains an attractive employer.

When talking about the project staff, it is important to bear in mind, that within project staff, there are employees working for both externally (12 staff members) and internally (5 staff members) funded projects. Originating from the way HELCOM work is organized, many of the project staff members are carrying out regular HELCOM work. An example is indicator work and annual PLC reporting that are carried out by project staff members. Still, the major HELCOM processes are organized in a form of a project, for example HOLAS and BSAP Update are HELCOM projects and the staff members employed for them are part of the project staff category.

There are staff related costs for the employees working in HELCOM internal projects that are normally not included in the project budgets when these projects are established. Those costs are mainly computers, software and other ICT and office facilities, insurances and health care. These costs are not very high for an individual staff member but do accumulate for bigger amounts in the organization level.

The staff members that are financed by the external projects are basically covered through them.

#### d) Data, ICT and information related services

In total, the data and ICT related costs include both basic ICT services for running the office as well as web-based services for disseminating content and communication with partner organizations and general public. Both the basic ICT arrangements as well as web-based services require constant maintenance and service hours bought by HELCOM from external service providers in order to carry out required changes or upgrades to HELCOM ICT infrastructure (e.g. server software updates, increase of storage space and memory, licenses and back-up routines) as well as buying consultancy service for expertise which is not available in the Secretariat, e.g. current website layout modifications or setting up ICT security systems.

ICT related costs that are funded from the HQ contribution include basic ICT infrastructure and services for running the office, for example in-office WIFI, desktop software licences, network drives, servers, security services and related licenses. Other data and ICT costs, for example related to establishing and maintenance of thematic HELCOM databases or bigger update projects are those included in the information activities and Information system budget lines, and thus covered from the Contracting Parties contribution.

Data and ICT related services are a cornerstone and fundamental element for smooth operating of both the HELCOM Secretariat, all HELCOM bodies and working groups as well as dissemination of HELCOM work and accomplishments to wider community and to general public. Requirements for different kind of data and ICT services have increased during the last years both in terms of amount of thematic services needed as well as quality and content related requirements.

Growing number of HELCOM publications and results of HELCOM work are made available in electronic format, which increases the amount of data and number of required web platforms hosted by the HELCOM Secretariat or contracted by HELCOM to be hosted by external service providers, which increases the annual ICT hosting costs. For example, the latest State of the Baltic Sea report was published as a separate website subdomain (<http://stateofthebalticsea.helcom.fi/>), a collection of more than 100 web pages and +1000 pages of thematic report documents stemming from gigabytes of environmental data collected for the assessment. The related data products are published in both HELCOM Map and Data service for viewing and HELCOM Metadata Catalogue for accessing and referencing by e.g. other international environmental policy use (e.g. INSPIRE).

Further, the increased number of environmental issues tackled by HELCOM assessments is reflected by growing number of HELCOM Core indicators, which require operational data flow arrangements to provide solid evidence base for assessments. Setting up and maintaining operational data flows require not only monitoring effort by the Contracting Parties, but also data flow arrangement and properly quality assured and organized data hosting solutions. This has been implemented for various environmental themes by a data host organization either contracted by HELCOM or hosted by the HELCOM Secretariat.

Therefore, it can be concluded that in addition to obvious inflation increase, grown demand and expectations have led to increased costs of data and ICT related services. The overall increased amount of different electronic content handled by the Secretariat combined with the increased number of end users and process requirements lead to higher budget needs. Some solutions for growing demand have been created during the years within the scope of the HELCOM budget and supported by various projects.

#### HELCOM future budget needs

In previous years, there has been funding in HELCOM budget that has been possible to designate for internal HELCOM projects. However, as regular costs take up increasing part of the budget, there is less and less funding available to use for HELCOM internal projects and other upcoming needs. Therefore, the ongoing and any upcoming projects and processes will be very difficult to execute without an update in the HELCOM budget. Some of the major projects for the upcoming years are BSAP Update and HOLAS III. In the organizational level a modernization is urgently needed for the Secretariat bookkeeping and travel invoice systems. Further, there is a need to create a better user registry system to serve the growing number of registered users involved in HELCOM work that are described below in more detail.

Limited budget has not enabled solving a critical and rather cost demanding improvement which is development of proper contact registry management system. The current solution which is integrated as part of the HELCOM Meeting Portal Sharepoint site collection does not fulfil the end user needs nor the needs of the Secretariat. There are about 1.800 contacts consisting of stakeholders and representatives from the Contracting parties and Observers, who one way or another are involved in the work of the Commission and are registered users and must have access to restricted content. There is a critical need for a suitable platform for efficient management of those users involved in HELCOM work. The current solution for user and group contact management has already resulted in additional cost due to several service requests to external service provider to create workarounds as well as increased manual work spent in managing different contact registries which are not properly synchronized.

Further, the increased activities trigger the need for more robust solutions to operate with. HELCOM online services have become critical for the HELCOM operations. This results in the need for those services to be available and operational 24/7, which would require duplicated backend systems or moving to cloud hosting service environment. For the time being, this is not the case and can result in these services being inaccessible due to technical failures.

To conclude, it can be seen that growing ICT and data related demands do not only concern the past years, but the needs continue to grow also in the upcoming years.