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BUDGET FOR 2007 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

Summary:	This document deals with the draft administrative budget of the Supplementary Fund for the financial year 2007. The draft budget set out in the Annex totals £85 000. The reimbursement of the loan granted to the Supplementary Fund by the 1992 Fund is considered. The need for 2006 contributions to the General Fund is examined. A levy of £1.4 million is proposed.
Action to be taken:	Adopt the administrative budget for 2007, determine the level of the working capital and decide on the levy of 2006 General Fund contributions.

1 Introduction

- 1.1 Under Article 16.2 of the Supplementary Fund Protocol in conjunction with Article 18.5 of the 1992 Fund Convention, the Supplementary Fund Assembly shall adopt the annual budget of the Supplementary Fund.
- 1.2 At their March 2005 sessions, the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly agreed that the three Funds should have a joint Secretariat and that the 1992 Fund Secretariat should administer, in addition to the 1971 Fund, also the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraph 7.3, 71FUND/AC.16/15, paragraph 4.4 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 1.3 As set out in document SUPPFUND/A.2/16, the Director proposes that the Supplementary Fund should, in accordance with the approach adopted for the financial years 2005 and 2006, pay a management fee for the period 1 January – 31 December 2007 in respect of the costs of running the joint Secretariat. It has been proposed that the management fee payable to the 1992 Fund should be maintained at the 2006 level of £70 000. The draft budget has been prepared on that basis. If the Assembly were to decide on a different apportionment of costs between the three Organisations, the draft budget would have to be revised accordingly.

2 Loans from the 1992 Fund

- 2.1 At its March 2005 session, the Supplementary Fund Assembly decided that the first financial period of the Supplementary Fund should cover the period 3 March – 31 December 2005 and adopted a budget with a total expenditure (including the management fee payable to the 1992 Fund) of £225 000 for that period (document SUPPFUND/A.1/39, paragraph 34). The 2005 budget included appropriations for administrative costs relating only to the Supplementary Fund and reimbursement with interest of payments made prior to 3 March 2005 by the 1992 Fund on behalf of the Supplementary Fund (document SUPPFUND/A.1/39, Annex III).

- 2.2 At its March 2005 session the Supplementary Fund Assembly took the view that it would be preferable to postpone the first levy of contributions to the Supplementary Fund until its 1st extraordinary session to be held in the autumn of 2005. The Assembly decided to request the 1992 Fund Assembly to authorise the Director of the 1992 Fund to make the necessary funds available in the form of loans from the 1992 Fund. It was agreed that such loans would be repaid, with interest, when the Supplementary Fund had received the first levy of contributions (document SUPPFUND/A.1/39, paragraphs 35.1 and 35.2). This request was granted by the 1992 Fund Assembly (document 92FUND/A/ES.9/28, paragraph 20.2).
- 2.3 At its 1st extraordinary session in October 2005 the Supplementary Fund Assembly noted that the 1992 Fund Assembly had decided that the 1992 Fund should not raise any contributions for payment in early 2006. For this reason the Supplementary Fund Assembly considered it preferable to postpone the first levy of contributions to the Supplementary Fund until the autumn of 2006 and decided to request the 1992 Fund Assembly to authorise the Director to make the necessary funds available to the Supplementary Fund in the form of loans.
- 2.4 At its 10th session also held in October 2005, the 1992 Fund Assembly granted the request referred to in paragraph 2.3 and authorised the Director to make the necessary funds available to the Supplementary Fund in the form of loans to be repaid, with interest, when the Supplementary Fund had received the first levy of contributions decided by its Assembly, to the extent that this could be done without prejudice to the operations of the 1992 Fund (document 92FUND/A.10/37, paragraph 30.13).
- 2.5 As at 30 June 2006 the total loans made by the 1992 Fund to the Supplementary Fund amounted to some £173 000 and interest thereon to some £8 900.
- 2.6 It is estimated that at 1 March 2007 (the due date of the 2006 contributions) the total amount of the loans, including the management fee for 2006 of £70 000 payable by the Supplementary Fund to the 1992 Fund, would be some £260 000 (including interest).

3 2007 Expenditure

- 3.1 The draft administrative budget for the joint Secretariat submitted by the Director, excluding the External Auditor's fee and expenses directly related to the respective Organisations, totals £3 530 250 (document 92FUND/A.11/26, Annex I) for 2007. This figure is £11 150 (0.3%) lower than the 2006 budget figure of £3 541 400.
- 3.2 A summary of the administrative budget for the joint Secretariat is given below.

CHAPTER	2007 Appropriation £	2006 Appropriation £	% Increase Appropriation on 2006
I Personnel	2 042 350	2 086 500	(2.1%)
II General services	740 400	757 400	(2.2%)
III Meetings	200 000	150 000	33.3%
IV Travel	160 000	160 000	0%
V Miscellaneous expenditure (excluding external audit fees)	327 500	327 500	0%
VI Unforeseen expenditure	60 000	60 000	0%
Total Expenditure Chapters I-VI	3 530 250	3 541 400	(0.3%)

3.3 The External Auditor has provisionally indicated an audit fee of £3 500 for the audit of the Supplementary Fund which is included in the administrative expenses relating only to that Fund estimated at £15 000.

3.4 The draft administrative budget relating only to the Supplementary Fund for 2007 totalling £85 000 is set out in the Annex.

4 Working capital

4.1 In order to enable the Supplementary Fund to respond to unforeseen expenditure which will most probably be modest, the Supplementary Fund Assembly decided at its March 2005 session that the Supplementary Fund should have a working capital of £1 million (document SUPPFUND/A.1/39 paragraph 33.2). At its October 2005 session, the Assembly decided to maintain the working capital at that amount (document SUPPFUND/A/ES.1/21, paragraph 18).

4.2 The Director proposes that the working capital should be maintained at £1 million.

5 General Fund assessment

5.1 Amount required

5.1.1 In the light of the considerations set out above, the Director proposes contributions should be levied to cover the following items:

- (a) the administrative expenses for 2007 (including a management fee of £70 000 payable to the 1992 Fund and other administrative costs of £15 000);
- (b) reimbursement with interest of loans granted by the 1992 Fund; and
- (c) the working capital.

5.1.2 The amount of annual contributions needed to balance the General Fund is estimated as follows:

		£	£
	ESTIMATED EXPENDITURE		
	Administrative expenses including management fee, Budget 2007 (Annex)	85 000	
<i>Plus</i>	Repayment of loans made by the 1992 Fund and interest thereon	260 000	
<i>Plus</i>	Working capital	1 000 000	
	AMOUNT REQUIRED		1 345 000

5.2 Director's proposal

5.2.1 The Assembly may wish to decide to fix the levy of contributions to the General Fund at £1.4 million.

5.2.2 Internal Regulation 3.6 provides that, unless the Assembly decides otherwise, payment of annual contributions shall be due on 1 March of the year following that in which the Assembly decides on the levy of annual contributions.

5.2.3 At its 1st session, the Assembly decided to introduce a deferred invoicing system. Under this

system, the Assembly fixes the total amount to be levied in contributions for a given calendar year but may decide that only a specific lower amount should be invoiced for payment by 1 March in the following year, the remaining amount, or a part thereof, to be invoiced later in the year if it should prove to be necessary (document SUPPFUND/A.1/39, paragraph 21.2).

- 5.2.4 The Director proposes that the entire proposed levy to the General Fund should be due for payment by 1 March 2007.

6 Action to be taken by the Assembly

The Assembly is invited:

- (a) to take note of the information contained in this document;
- (b) to consider for adoption the draft budget for 2007 for the administrative expenses of the Supplementary Fund (section 3 and Annex);
- (c) to decide the level of the working capital (paragraph 4.2);
- (d) to decide in respect of the assessment of 2006 contributions to the General Fund (paragraph 5.2.1); and
- (e) to decide on the date of payment of 2006 contributions to the General Fund (paragraph 5.2.4).

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ANNEX

DRAFT 2007 ADMINISTRATIVE BUDGET FOR THE SUPPLEMENTARY FUND

(Figures in Pounds Sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2005 EXPENDITURE	2005 BUDGET APPROPRIATIONS	2006 BUDGET APPROPRIATIONS	2007 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	125 000	125 000	70 000	70 000
II	Administrative expenses (including external audit fees)	5 000	50 000	15 000	15 000
III	Reimbursement with interest of payments made by the 1992 Fund before 3 March 2005	47 742	50 000	-	-
Supplementary Fund Budget Appropriation		177 742	225 000	85 000	85 000