



INTERNATIONAL
OIL POLLUTION
COMPENSATION
SUPPLEMENTARY
FUND

ASSEMBLY
1st session
Agenda item 34

SUPPFUND/A.1/33
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BUDGET FOR 2005

Note by the Director of the International Oil Pollution Compensation Funds 1971 and 1992

Summary: This document deals with the administrative budget of the Supplementary Fund for the period 3 March - 31 December 2005. The draft budget set out in the Annex totals £225 000.

Action to be taken: Adopt the administrative budget for 2005.

1 The issue

- 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 As the Supplementary Fund Protocol will only enter into force on 3 March 2005, the Director proposes that the Assembly should decide that the first financial year for the Supplementary Fund should cover the period 3 March - 31 December 2005, ie a period of 10 months. The draft budget for the administrative expenses of the Supplementary Fund for that period, as prepared by the Director, is set out at the Annex.
- 1.3 Under agenda item 14, the Assembly will be invited to consider a proposal by the Director, in accordance with the recommendation of the 1992 Fund Assembly, that the Supplementary Fund should pay a flat management fee to the 1992 Fund towards the running of the joint Secretariat of the 1971, 1992 and Supplementary Funds and that this fee should be initially set at £150 000 per annum (document SUPPFUND/A.1/13). Since, as proposed above, the first financial year of the Supplementary Fund would only cover 10 months, it is proposed that the fee should be set at £125 000 for 2005. 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, this appropriation in the draft budget would have to be revised accordingly.
- 1.4 The 1992 Fund Assembly also considered that the Supplementary Fund should pay, in addition to the management fee, administrative costs relating only to the Supplementary Fund, such as fees for the External Auditor's audit of the Supplementary Fund, as well as non-incident related costs for general consultancy and legal experts dealing only with Supplementary Fund activities. It agreed with the Director that an amount of £50 000 should be included in the Supplementary Fund's annual budget to cover these costs (document 92FUND/A/ES.8/4, paragraph 3.8.3).

- 1.5 In the Resolution on the Establishment of the Supplementary Fund of the 2003 International Conference which adopted the Supplementary Fund Protocol, it was requested that the 1992 Fund Assembly should instruct the Director of the 1992 Fund to perform certain administrative tasks necessary for setting up the Supplementary Fund, on the basis that all costs and expenses that might be incurred would be reimbursed, with interest in due course, by the Supplementary Fund (document 92FUND/A/ES.8/2, Annex I).
- 1.6 As its May 2004 session, the 1992 Fund Assembly agreed with the Director's proposal that the first Supplementary Fund budget should include amounts enabling the Supplementary Fund to repay the 1992 Fund for the costs to finance the above-mentioned International Conference and for the costs for the preparations for the setting up of that Fund (document 92FUND/A/ES.8/4, paragraph 3.8.4). It is proposed that the Supplementary Fund Assembly should take a decision to this effect.
- 1.7 As at 31 December 2004 an amount of £42 947 (excluding interest) had been paid by the 1992 Fund on behalf of the Supplementary Fund in respect of the costs referred to in paragraph 1.6 above. Interest continues to accrue on that amount. An appropriation of £50 000 is proposed in respect of expenses incurred by the 1992 Fund prior to the entry into force of the Supplementary Fund Protocol.
- 1.8 At its May 2004 session, the 1992 Fund Assembly further considered that budget estimates for claims and claims related expenditure in respect of incidents involving the Supplementary Fund would have to be made for each financial period and that these estimates would not be included in the administrative budget, since such expenditure would be paid from separate Claims Funds (document 92FUND/A/ES.8/4, paragraph 3.8.8).
- 1.9 In the light of the considerations set out above, the Director proposes that the budget for the first financial year of the Supplementary Fund should include the following chapters of expenditure:
- (a) the flat management fee payable to the 1992 Fund;
 - (b) costs specific to the Supplementary Fund; and
 - (c) reimbursement with interest of payments made by the 1992 Fund on behalf of the Supplementary Fund.
- 1.10 Under agenda item 21, the Assembly will be invited to consider a proposal that it should postpone its decision on the first levy of annual contributions until its October 2005 session by which time it would be in a better position to assess the appropriate level for contributions (document SUPPFUND/A.1/20).

2 Action to be taken by the Assembly

The Assembly is invited

- (a) to take note of the information contained in this document;
- (b) to decide that the first financial period of the Supplementary Fund should cover the period 3 March – 31 December 2005; and
- (c) to consider the adoption of the draft budget for the administrative expenses of the Supplementary Fund for that period as set out in the Annex.

ANNEX

DRAFT BUDGET FOR 2005

ADMINISTRATIVE EXPENDITURE FOR THE SUPPLEMENTARY FUND

		Budget appropriations for the period 3 March - 31 December 2005
		£
I	Management fee payable to 1992 Fund	125 000
II	Administrative costs relating only to the Supplementary Fund (such as fees of External Auditor, legal experts and consultants)	50 000
III	Reimbursement with interest of payments made prior to 3 March 2005 by the 1992 Fund on behalf of the Supplementary Fund	50 000
Total		225 000