



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
SUPPLEMENTARY  
FUND

ASSEMBLY  
1st session  
Agenda item 35

SUPPFUND/A.1/34  
28 January 2005  
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## ASSESSMENT OF CONTRIBUTIONS

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

<b>Summary:</b>	It is proposed that the Supplementary Fund should postpone the first levy of contributions to the Supplementary Fund until the Assembly's session in the autumn of 2005.
<b>Action to be taken:</b>	<p>To decide:</p> <ul style="list-style-type: none"><li>(a) when the first levy of contributions should be decided; and</li><li>(b) if deferred, to request the 1992 Fund make the necessary funds available to the Supplementary Fund in the form of loans.</li></ul>

#### 1 The issue

- 1.1 The Supplementary Fund will need to levy contributions in order to obtain sufficient liquid funds for its administration, for the reimbursement to the 1992 Fund of costs incurred in relation to the Diplomatic Conference which adopted the Supplementary Fund Protocol and for the preparations for the entry into force of the Supplementary Fund Protocol and for the payment of claims, if any.
- 1.2 The Supplementary Fund Assembly will need to decide when the first levy of contributions should be payable. This matter was considered by the 1992 Fund Assembly at its 8th extraordinary session in May 2004 on the basis of two options submitted by the Director: either that the contributions should be levied at the first session of the Supplementary Fund Assembly or that the decision should be deferred to a later session. The analysis of these options was as follows:
- 1.3 If the Assembly were to decide on the levy at its first session, this would have the advantage that the Supplementary Fund would quickly become financially independent. The Supplementary Fund would then be in a position to repay the 1992 Fund expenses incurred by the latter Fund on behalf of the Supplementary Fund, and there should be no need for the Supplementary Fund to obtain funds from other sources. On the other hand, this option would mean that arrangements for invoicing contributions would have to be made very quickly, which might give the Secretariat insufficient time to prepare the invoices, given that the contribution system of the Supplementary Fund has some fundamental differences compared with that of the 1971 and 1992 Funds.
- 1.4 Deferring the levying of contributions would have the advantage of reducing the administrative burden both on the Secretariat and on contributors in States which will be Members of both the 1992 Fund and the Supplementary Fund. It would also be likely to result in the sharing of the burden of the initial costs of setting up the Supplementary Fund among contributors in a larger number of Member States, since more States will probably have joined the Supplementary Fund

by the autumn of 2005. However, this approach would have the disadvantage that it would delay the Supplementary Fund's financial independence and its ability to reimburse the 1992 Fund the amounts owed to it. If this approach were adopted, the Supplementary Fund would be obliged to take up loans, either from banks or from the 1992 Fund, to cover its administrative expenses over a period of several months.

- 1.5 At its 8th extraordinary session in May 2004, the 1992 Fund Assembly considered the two options and agreed in principle with the proposal by the Director that the first ordinary levy of contributions should be postponed until the Supplementary Fund Assembly's ordinary session in 2005 (document 92FUND/A.1/ES.8/4, paragraphs 3.5.7 and 3.5.8). It should be noted that at the time of the May 2004 session, it was expected that the Supplementary Fund Protocol would enter into force sufficiently early so that the first session of the Supplementary Fund Assembly would be held late in 2004 and the next ordinary session in October 2005.
- 1.6 The Director maintains the view that it would be better to postpone the first levy of contributions until the Supplementary Fund Assembly's extraordinary session in the autumn of 2005.
- 1.7 If the approach set out in paragraph 1.6 were taken, the Supplementary Fund Assembly might wish to request the 1992 Fund Assembly to authorise the Director of the 1992 Fund to make the necessary funds available to the Supplementary Fund in the form of loans from the 1992 Fund, to the extent that this can be done without prejudice to the operations of the 1992 Fund. Such loans would be repaid, with interest, when the Supplementary Fund had received the first levy of contributions decided by its Assembly. It should be noted that the amounts required would be very modest.

## **2 Action to be taken by the Assembly**

The Assembly is invited to consider:

- (a) when the first levy of contributions should be payable; and
  - (b) if the option set out in paragraph 1.6 above were chosen, to request to the 1992 Fund to make the necessary funds available to the Supplementary Fund in the form of loans.
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