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PREPARATIONS FOR THE ENTRY INTO FORCE OF THE 1992 PROTOCOL AMENDING THE 1971 FUND CONVENTION

LEVYING OF CONTRIBUTIONS

Note by the Director

1 Introduction

The 1992 Fund will need to levy contributions in order to obtain sufficient liquid funds for its administration, for the payment of claims and for the reimbursement to the 1971 Fund of costs incurred on behalf of the 1992 Fund during the preparations for the entry into force of the 1992 Protocol. The 1992 Fund will also need to establish a working capital (cf proposed Financial Regulation 8.1(b) in document FUND/A.18/13/3, page 7).

2 Timing of the first levy

2.1 The 1st Assembly of the 1992 Fund will need to decide when to make the first levy of contributions. The Director submits two options for consideration: to levy contributions at the 1st session of the Assembly (to be held in June 1996) or to make the levy at an extraordinary session in the autumn of 1996.

2.2 If the Assembly of the 1992 Fund were to levy contributions at its 1st session in June 1996, payable by, say, the end of September 1996, this would have the advantage that the 1992 Fund would quickly become financially independent. The 1992 Fund would then be in a position to repay the 1971 Fund for expenses incurred by the latter Fund on behalf of the 1992 Fund, and there should be no need for the 1992 Fund to borrow money from other sources. On the other hand, this proposal would mean that contributors in States which were Members of both the 1971 Fund and the 1992 Fund would be invoiced twice in the same year: in July for contributions to the 1992 Fund and in November for contributions to the 1971 Fund. Furthermore, it might be difficult for the Assembly of the 1992 Fund to assess an appropriate level of contributions at its 1st session in June 1996.

2.3 It is envisaged that the Assembly of the 1992 Fund will hold an extraordinary session in October 1996, at the same time as the Assembly of the 1971 Fund holds its 19th session. The Assembly of the 1992 Fund could then decide to levy contributions which would be payable by the same date as the contributions to the 1971 Fund (ie 1 February 1997). This option would have the advantage for contributors in States which were Members of both the 1971 Fund and the 1992 Fund that they would be invoiced only once in the same year. In addition, by October 1996, the Assembly of the 1992 Fund would be in better position to assess an appropriate level for contributions. This approach would have the disadvantage that it would delay the 1992 Fund's financial independence, since contributions would not be due until 1 February 1997. If this approach were adopted, the 1992 Fund would be obliged to take up loans, either from banks or from the 1971 Fund, to cover its administrative expenses and payments of compensation during its first eight months of operation.

2.4 The Director takes the view that it would be better to chose the second option, ie to postpone the first levy of contributions until an extraordinary session of the 1992 Fund Assembly, to be held in October 1996.

2.5 If the approach set out in paragraph 2.4 were taken, the Assembly of the 1992 Fund might wish to request that the Assembly of the 1971 Fund authorises the Director of the 1971 Fund to make the necessary funds available to the 1992 Fund in the form of loans, to the extent that this can be done without prejudice to the operations of the 1971 Fund. Such loans would be repaid, with interest, in February 1997 when the 1992 Fund has received the contributions levied by its Assembly in October 1996.

3 Arrangements for the payment of contributions

As stated in paragraph 2.1(f) of document FUND/A.18/13, it would be desirable if procedures could be developed which did not put an unnecessary administrative burden on the contributors to the 1971 Fund and the 1992 Fund. For this reason, it is proposed to adopt, as a general policy, that contributions to the 1992 Fund should be levied at that same time as contributions are levied to the 1971 Fund. It would then be possible for contributors in States which are Members of both the 1971 Fund and the 1992 Fund to be issued with a single invoice covering both levies, provided that the invoice should indicate clearly the amounts payable to the respective Funds. It is also proposed that such contributors could make a single payment in respect of the amounts invoiced in respect of each Fund. It would be for the joint Secretariat to make the appropriate apportionment of the payment between the 1971 Fund and the 1992 Fund.

4 Matters to be addressed

The Assembly of the 1992 Fund will be invited to consider:

- (a) the timing of the first levy of contributions; and
 - (b) the arrangements for the invoicing and payment of contributions.
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