

INTERNATIONAL OIL POLLUTION COMPENSATION FUND

FONDS INTERNATIONAL D'INDEMNISATION POUR LES DOMMAGES  
DUS A LA POLLUTION PAR LES HYDROCARBURES

ASSEMBLY -  
2nd session  
Agenda item 12

Distr.  
RESTRICTED  
FUND/A.2/9  
16 March 1979  
Original: ENGLISH

DRAFT BUDGET FOR THE PERIOD 1978/1979

Note by the Director

Article 18(5) of the Fund Convention requires the Assembly to adopt the annual budget of the Fund. The Assembly, at its first session, requested the Director to prepare a budget for the period prior to the second session of the Assembly and the remainder of 1979.

The draft budget with explanatory notes is annexed. The Assembly is invited to consider the draft budget, for adoption.

\*\*\*

ANNEXDraft Budget for the Period 1978/1979A. INCOMEI. Initial Contributions

a.	Paid up to 4 March 1979	1,236,378.17	
b.	Invoices sent and payment awaited	94,020.76	
c.	Due on 16 January 1979 but invoices not yet sent	287,864.67	
d.	Due on 28 February 1979		
e.	Due on 28 August 1979		
	Total		1,618,263.60

II. Interest

a.	Earned till 4 March 1979 - approx.	15,000.00	
b.	To be earned from 4 March till 31 December 1979 on capital at 4 March - estimated	105,000.00	
c.	To be earned on payments to be made during 1979 after 4 March 1979 - estimated	13,000.00	
	Total		133,000.00

## TOTAL INCOME

1,751,263.60

=====

B. EXPENDITURE

	£	£
I. <u>Personnel</u>		
Salaries		62,600
II. <u>General Services</u>		
a. Rent of office accommodation (including common services, security services and rates)	20,560	
b. Office machines, including maintenance	5,000	
c. Furniture and other office equipment	8,000	
d. Office stationery and supplies	2,500	
e. Communications (telex, telephone, postage)	3,000	
f. Other supplies and services	2,000	
g. Representation	2,000	
		<hr/>
Total		43,060
		<hr/>
III. <u>Meetings</u>		
a. 1st Assembly in November 1978	9,000	
b. 2nd Assembly in April 1979	5,500	
c. One further meeting (Assembly or Executive Committee) during 1979	7,000	
		<hr/>
Total		21,500
		<hr/>
IV. <u>Travel</u>		15,000
V. <u>Consultants' Fees</u>		40,000
VI. <u>Printing and Publication</u>		2,000

VII. Miscellaneous Expenditure

a.	External audit	1,500	
b.	Payment to IMCO for expenses prior to 1978	5,700	
c.	Payment to IMCO for "overhead costs" 1978/1979	10,619	
d.	Payments to IMCO as far as not covered under I-VII.c	525	
e.	Miscellaneous	1,000	
Total			19,344
TOTAL EXPENDITURE (I-VII)			203,504
			=====

Explanatory Notes to the Draft Budget for 1978/1979

GENERAL

In preparing the budget the Director has not found it possible to arrive at precise figures. This was particularly because the Fund has had little experience of the kind and amount of expenses likely to occur. In making the different appropriations, the Director was guided by the experience of IMCO, OCIMF and CRISTAL and the advice given by representatives of those organizations.

In addition, certain assumptions had to be made. These are set out in document FUND/A.2/8, paragraph 2. The appropriations in this draft budget are based on these assumptions, and the further assumption that the Assembly approves the Director's proposals on the size of the Secretariat and the posts to be held by the permanent staff members.

THE BUDGET

A. Income

The Fund's income in the period 1978/1979 consists of the initial contributions which will have been paid during this period and the interest earned thereon.

I. Initial Contributions

Item A.I.a, b In respect of Contracting States which were members of the Fund when the Convention entered into force on 16 October 1978, initial contributions had to be paid not later than 16 January 1979. Invoices were sent to contributors in respect of such of those States which had submitted reports on contributing oil receipts. As at 4 March 1979, approximately 93% of the amount invoiced had been paid.

Item A.I.c Not all Contracting States, however, have sent their reports to the Secretary-General of IMCO or to the Fund. Some of those States have stated the total amount of contributing oil only.

As a result, it has not yet been possible in respect of these States to send out invoices to contributors. Therefore, the initial contributions so far paid represent only approximately 76% of the total amount of contributing oil reported.

Item  
A.I.d,  
e

No reports have so far been received from those two States for which the Convention entered, or will enter, into force after 16 October 1978.

## II. Interest

The interest to be earned on the Fund's capital depends largely on the Fund's investment policy. The interest rates depend on the currency in which investment is made. The following table shows, as an example, the rates in the EURO-CURRENCY market (as published on 1 March 1979).

Three months	Sterling	US Dollar	Swiss Franc	West German Mark	French Franc	Japanese Yen
	$12\frac{7}{16}-12\frac{9}{16}$	$10\frac{1}{2}-10\frac{3}{4}$	$\frac{1}{2}-\frac{1}{4}$	$3\frac{15}{16}-4\frac{1}{16}$	$7\frac{3}{4}-8$	$3\frac{7}{16}-3\frac{13}{16}$

Item  
A.II.a

To date investments have been made in sterling only, the interest rate varying between 11.5% and 14.375%.

Item  
A.II.b

The estimate of interest on the existing investments to be earned from 4 March to 31 December 1979 is based on an average interest rate of 10%.

Item  
A.II.c

The estimate under item A.II.c assumes that at least 90% of the amount mentioned under item A.I.c is paid to the Fund not later than end of June 1979. Again an average interest rate of 10% is the basis for calculation.

B. Expenditure

I. Personnel

The appropriations are based on the Director's proposal on the structure of the Secretariat (document FUND/A.2/8).

The figure arrived at is composed of the salaries of the staff members employed so far on a temporary basis and the persons mentioned in document FUND/A.2/8. The calculation is based on the salaries as paid by IMCO, including all grants, allowances and insurance premiums, having regard to the Assembly's decision that the emoluments of staff members should follow the United Nations Common System (Staff Regulation 14).

In detail the following appropriations have been made:

	£
Director	
16 December 1978 - 31 December 1979	30,000
Professional Officer (including temporary assistance)	
17 January 1979 - 31 December 1979	15,700
Administrative assistant	
1 June 1979 - 31 December 1979	3,700
Director's secretary	
December 1978 - 30 May 1979	2,500
Director's secretary	
1 June 1979 - 31 December 1979	3,700
Temporary clerk-secretary	
from December to May	2,700
Clerk-secretary	
1 June 1979 - 31 December 1979	2,700
Additional temporary typist in 1979 (4 months)	1,600
Total	62,600
	=====

## II. General Services

Item            The amount includes the rent for the provisional office  
B.II.a rooms held by the Fund from December 1978 to June 1979 and  
for office rooms which the Fund will rent from IMCO in an  
office building at 1-4 Yarmouth Place. The Director intends  
to rent five office rooms and one meeting room of together  
approximately 2,150 square feet. These rooms will be ready  
for use by June 1979. The rent is calculated by IMCO on a  
pro-rata basis. The rent for the office rooms in Piccadilly  
amounts to \$5,099 and for the office rooms in Yarmouth Place  
to \$21,796. The figure stated under item B.II.a also includes  
the costs for common services, such as cleaning, insurance,  
rates and maintenance.

The figure states the total amount of the rent that IMCO  
will charge to the Fund. It has not been decided whether the  
United Kingdom will refund to the Fund 80% of this rent. At  
the first session of the Assembly the United Kingdom  
delegation stated that, as regards rental, if it were  
considered important and proper in the circumstances, the  
United Kingdom Government would enter into an arrangement with  
the Fund similar to that which it had with IMCO. According  
to a letter received by the United Kingdom Government, this  
question will be brought forward by the United Kingdom  
delegation for decision by the Assembly at its 2nd session.

Item            The appropriation for office machines contains the  
B.II.b necessary funds for the purchase of three electric typewriters,  
two sets of dictating machines with transcribers, one desk  
and one pocket calculator and a coffee machine. The cost for  
the maintenance of these machines is included.

Item            The costs for the furniture and other office equipment  
B.II.c cannot be precisely assessed, as plans for the furnishing of  
the offices can be made only when these offices are nearing  
completion. The figure of £8,000 is based on rough estimates  
given by two furniture supply firms.



Item  
B.II.d,  
e, f

The appropriations under these items are based on the experience gained during the first months of the Fund's operations, and the experience of IMCO.

Item  
B.II.g

The Fund has given one reception in February and will give another one to participants at the Assembly session in April. One further reception during the year might be necessary. In addition, other representation, which is not covered by the Director's representation allowance, will have to be provided for.

### III. Meetings

The figures, as to items a and b, are given by IMCO (\$18,000 and \$11,000). It has to be noted that the appropriations for the third meeting are made on the assumption that this meeting can be serviced by IMCO. This will, however, be possible only in the very exceptional case of a severe oil pollution incident (see document FUND/A.2/15).

### IV. Travel

This item covers all travel expenses, including conference fees and subsistence allowances. The amount is based on the experience of OCIMF and CRISTAL and on the assumption that two journeys each will have to be made to America and the Far East, one to Africa and a few within Europe. This should ensure that, until the end of the year, there is sufficient money available if the Director needs to undertake frequent and lengthy travelling in case of major oil pollution incidents.

### V. Consultants' Fees

The appropriation for consultants' fees is necessary in case legal advisers and investigation experts have to be employed, should incidents happen during 1979. The actual amounts needed for these purposes will later be attributed to the costs of the relevant incidents. The appropriation is based on a salary of £300 per day and per person (including travel, etc.).

## VI. Printing and Publication

It is intended to publish the Internal Regulations in printed form. Furthermore, printing of invitation cards, visitor cards and miscellaneous documents will be necessary. The cost of publication of the Internal Regulations is estimated at £800.

## VII. Miscellaneous Expenditure

Item                      The costs for the external auditor are estimated at  
B.VII.a                £1,500.

Item                      IMCO incurred expenses for the preparation of the  
B.VII.b                building up of the Fund administration prior to 1978. These  
                         expenses included the cost of employment of an external  
                         expert to assist in the preparation of the first draft on  
                         the Internal Regulations.

Item                      In the first year of the Fund's operations, IMCO is  
B.VII.c                incurring substantial costs in providing financial and  
                         administrative services to the Fund. It is virtually  
                         impossible to calculate these costs without resorting to a  
                         detailed cost measurement system that would not only be  
                         beyond IMCO's resources of staff and funds, but would not be  
                         justified by the relatively small amounts involved. The  
                         Secretary-General of IMCO has, therefore, taken into account  
                         the practices followed by organizations in the United Nations  
                         system when administering projects financed from extra-budgetary  
                         funds. For field projects, whether financed by the United  
                         Nations Development Programme (UNDP) or by other sources, the  
                         usual payment to cover agency support costs is calculated  
                         at 14% of project expenditure. As the costs of administering  
                         technical co-operation projects are certainly greater than  
                         those involved in servicing the Fund, the Secretary-General  
                         of IMCO and the Director have agreed to propose that a charge

of 7% be applied to the total of the other items comprised in the Fund's budget (with the exception of item V, which does not constitute part of the administrative expenses). On this basis, IMCO's "overhead costs" charged to the Fund amount to \$21,238. This calculation follows the method of calculating the overhead costs of IMCO charged to INMARSAT-Preparatory Committee.

Item                    The amount of \$525 was incurred by IMCO for recruitment  
B.VII.d of temporary staff.

Item                    As it is difficult for the Director to foresee all  
B.VII.e minor items that might arise during the period, an  
appropriation of \$1,000 for miscellaneous items is included.

---