

ASSEMBLY
1st session
Agenda item 16

LEVYING OF CONTRIBUTIONS

Note by the Director of the International Oil Pollution Compensation Fund

1 Article 12 of the 1992 Fund Convention provides that the Assembly shall determine the amount of annual contributions to be levied, if any. For this purpose the Assembly shall make an estimate in the form of a budget of the 1992 Fund's expenditure and income for each calendar year, taking into account the necessity to maintain sufficient liquid funds.

2 In October 1995 the 1971 Fund Assembly noted the concern of some delegations that the 1971 Fund had in recent years levied considerable sums of money to Major Claims Funds well in advance of compensation being paid. It was recognised, nevertheless, that this had become unavoidable, since many more claims were submitted to the Fund by small businesses and individuals, and that it was important that the Organisation had the necessary funds so that payment of compensation could be made at the earliest opportunity. The 1971 Fund Assembly instructed the Director of the 1971 Fund to study this matter, specifically as regards the relationship between the size of the working capital and the levying of contributions (1971 Fund document FUND/A.18/26, paragraph 18.2).

3 During the last three years, the 1971 Fund Assembly decided to levy significant amounts in contributions (£78 million, £40 million and £43 million, respectively). Part of the contributions levied was not used during the following year, because for various reasons payments of compensation were not made at the time or in the amounts envisaged when the Assembly decided to levy contributions in October. This resulted in a build-up of significant assets.

4 It is proposed in document 71FUND/A/ES.2/11 that the amount held by the 1971 Fund could be reduced if a system of "deferred invoicing" were introduced. Under such a system, the 1971 Fund Assembly would fix the total amount to be levied in annual contributions for a given calendar year. At the same time the Assembly would decide that only a specific amount should be invoiced for payment by 1 February in the following year, the remaining part to be invoiced later in the year if it should prove to be necessary.

5 The Director of the 1971 Fund is of the view that a deferred invoicing system, the details of which are set out in 1971 Fund document 71FUND/A/ES.2/11, could be considered also in respect of the 1992 Fund.

6 It is proposed in document 92FUND/A.1/28 that the 1992 Fund Assembly should postpone the first levy of annual contributions until an extraordinary session, to be held in October 1996, by which time the Assembly of the 1992 Fund would be in a better position to assess an appropriate level for contributions. For this reason, it is proposed that it would be appropriate to postpone consideration of the question of introducing a system of deferred invoicing for the 1992 Fund until that session.

Action to be taken by the Assembly

7 The Assembly is invited to consider the question of introducing a system of deferred invoicing.
