

ASSEMBLY
1st session
Agenda item 26

BUDGET FOR 1996

Note by the Director of the International Oil Pollution Compensation Fund

1 Article 18.5 of the 1992 Fund Convention requires the Assembly to adopt the annual budget of the 1992 Fund. In view of the close link that will exist between the 1992 Fund and the 1971 Fund, it will be essential to co-ordinate the accounts and budgets of the two Organisations. It is therefore proposed that the accounts and budget of the 1992 Fund be established so as to mirror as closely as possible those of the 1971 Fund.

2 The draft budget for the period 30 May to 31 December 1996 for the administrative expenses of the 1992 Fund, as prepared by the Director of the 1971 Fund, is submitted at the Annex. The presentation of the budget follows the requirements of proposed Financial Regulations 5.2 and 5.3 (cf document 92FUND/A.1/24).

3 As indicated in document 92FUND/A.1/11, the Director of the 1971 Fund takes the view that, for the period 30 May to 31 December 1996, the costs of running the joint Secretariat should be distributed with $\frac{3}{4}$ to be paid by the 1971 Fund and $\frac{1}{4}$ by the 1992 Fund. On the assumption that this proposal would be adopted, the appropriations for the 1992 Fund's general fund budget in respect of administrative expenditure for that seven-month period are therefore based on $\frac{1}{4}$ of the appropriations adopted by the 1971 Fund in respect of that period. If the Assembly were to decide on a different apportionment between the two Organisations, the appropriations in the draft budget would have to be revised accordingly.

4 For ease of reference, the 1971 Fund's appropriations for 1996 are reproduced in the draft budget.

5 The appropriations in the draft budget for meetings (chapter III) have been calculated on the basis of the expected duration of the meetings of the 1992 Fund and the 1971 Fund, and not on the basis of the above-mentioned apportionment.

6 In a Resolution adopted by the 1992 International Conference (Resolution N°2, reproduced as the Annex to document 92FUND/A.1/6), the Assembly of the 1971 Fund was requested to authorise and instruct its Director, on the basis that all expenses that might be incurred would be reimbursed by the 1992 Fund, to make the necessary preparations for the first session of the Assembly of the 1992 Fund. It is

proposed that a separate chapter in respect of expenditure relating only to the 1992 Fund should be created (chapter VII – Transitional expenditure). An appropriation of £70 000 is proposed in respect of expenses incurred by the 1971 Fund prior to the entry into force of the 1992 Fund Convention in connection with the preparations for its entry into force. These expenses, which should be reimbursed by the 1992 Fund to the 1971 Fund, amount, so far, to some £68 000. A further appropriation of £50 000 is proposed in respect of expenses relating only to the 1992 Fund which may arise during the period 30 May to 31 December 1996.

7 No appropriations have been made in the draft budget for the payment of interest on loans from the 1971 Fund in respect of administrative expenditure. It would be difficult to calculate interest on such expenses, since they could be incurred on a daily basis. If a loan from the 1971 Fund were required for the payment of claims, however, it is proposed that interest would be payable by the 1992 Fund on such a loan. It is suggested that the calculation of interest would be made on the same basis as is applied in respect of loans between various funds of the 1971 Fund, ie interest would be calculated at the rate of interest applicable during the relevant period, based on the opportunity cost of any investment that was foregone because of the loan.

8 It is proposed that the draft budget for 1997 be submitted to an extraordinary session of the 1992 Fund Assembly, to be held in October 1996. As indicated in document 92FUND/A.1/28, it is also proposed that the 1992 Fund Assembly should postpone the first levy of annual contributions until that extraordinary session, by which time the Assembly of the 1992 Fund would be in a better position to assess an appropriate level for contributions.

Action to be taken by the Assembly

9 The Assembly is invited to consider for adoption the draft budget for the administrative expenses of the 1992 Fund for the period 30 May to 31 December 1996.

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ANNEX

DRAFT BUDGET FOR 1996

GENERAL FUND: STATEMENT OF ADMINISTRATIVE EXPENDITURE

			1971 Fund's 1996 budget appropriation	1992 Fund's 1996 budget appropriation
			£	£
I	Personnel		778 620	114 878
II	General services		318 710	47 023
III	Meetings			
	(a)	October 1996 sessions of 1992 Fund Assembly and 1971 Fund Assembly/Executive Committee	21 075	4 215
	(b)	Further meetings of 1971 Fund Executive Committee (3 sessions)	31 720	0
	(c)	Intersessional Working Group (1 session)	7 930	3 965
	(d)	June 1996 sessions of 1992 Fund Assembly and 1971 Fund Assembly	21 075	10 538
	Sub-total		81 800	18 718
IV	Conferences and travel		40 000	5 902
V	Miscellaneous expenditure		166 800	24 610
VI	Unforeseen expenditure		50 000	7 377
VII	Expenditure relating only to 1992 Fund			
	(a)	Reimbursement of expenses incurred prior to 30.5.96	-	70 000
	(b)	Expenses from 30.5.96	-	50 000
	Sub-total		0	120 000
Total			1 435 930	338 508