

ASSEMBLY
1st session
Agenda item 28

ASSESSMENT OF ANNUAL CONTRIBUTIONS

Note by the Director of the International Oil Pollution Compensation Fund

1 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 Fund Convention. The 1992 Fund will also need to establish a working capital (cf document 92FUND/A.1/27).

2 The Assembly will have to decide when to make the first levy of contributions. The Director of the 1971 Fund submits two options for consideration: to levy contributions at the present session of the Assembly or to make the levy at an extraordinary session in the autumn of 1996.

3 If the Assembly were to levy contributions at this session, 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 to assess an appropriate level of contributions at the present session.

4 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 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.

5 The Director of the 1971 Fund takes the view that it would be better to choose 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.

6 If the approach set out in paragraph 5 were taken, the Assembly 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.

7 During its consideration in October 1995 of the preparations for the entry into force of the 1992 Fund Convention, the Assembly of the 1971 Fund took the view that it would be preferable if the 1992 Fund Assembly were to postpone the first levy of contributions until an extraordinary session of the 1992 Fund Assembly, 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. It was noted that this approach might require the 1992 Fund to take loans until contributions were received in February 1997. The Assembly of the 1971 Fund stated that it would be prepared to consider favourably a request from the 1992 Fund Assembly that the 1971 Fund should, if the need were to arise, grant loans to the 1992 Fund, to the extent that this could be done without prejudice to the operations of the 1971 Fund (document FUND/A.18/26, paragraph 16.13).

Action to be taken by the Assembly

- 8 The Assembly is invited to decide on the assessment of annual contributions, in particular:
- (a) whether to levy such contributions at its present session or to defer that decision to its next session; and
 - (b) if the latter option were chosen, whether to make a request to the 1971 Fund that that Organisation would make the necessary funds available to the 1992 Fund in the form of loans.
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