



# United Nations Environment Programme

**EP**

UNEP(DEPI)/MED IG.21/Inf.4  
20 November 2013

Original: ENGLISH

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## MEDITERRANEAN ACTION PLAN

18<sup>th</sup> Ordinary Meeting of the Contracting Parties to  
the Convention for the Protection of the Marine Environment  
and the Coastal Region of the Mediterranean and its Protocols

Istanbul, Turkey, 3-6 December 2013

### Note on Programme of Work and Budget 2014 - 2015



### **Note to the Programme of Work for the 2014-2015 biennium**

The attached Programme of Work and Budget for 2014-2015 has been improved as compared to that of the previous biennium based on suggestions received from Contracting Parties and other suggestions from the Secretariat as follows:

- a. the number of expected results was reduced significantly from 175 to 78 under Option 2 and 83 under Option 4. This was achieved by aggregating activities and presenting them by expected results without too much detailed information and disaggregation on the implementer of the activities so as to provide the reader with a better grasp on which are the results to achieve and how;
- b. detailed breakdown of operational expenses/admin costs by Regional Activity Centres were removed from the budget presentation following the advice of UNEP on the definition of UNEP/MAP staff and its implications as presented and endorsed by the Bureau at its 77th meeting in Ankara (July 2013). This clustering also provides more managerial flexibility to the Directors of the RACs to manage their personnel;
- c. the EU Voluntary Contribution was merged with the MEL column to be used for any purpose since its use is not earmarked to activities as requested by the EC delegation; this provides more flexibility and introduces the concept of the core funding of the UNEP/MAP system which is made of MTF, EU voluntary contribution and Host Country contribution;
- d. the presentation of resource mobilization needs was simplified in one column that consolidates the additional resources needed to be mobilized during the biennium to achieve all the expected results;
- e. the co-financing commitment in-kind and in-cash from the Host Countries of the RACs was reinstated in the budget presentation based on written commitment letters from Host Countries;
- f. The MEL fund balance table has been revised to include the adjustment of the fund balance to the actual income received in 2013 as well as the adjustment for the pledges currently in arrears so that it will provide a more accurate picture of its cash position. The UN accounting practice for the General Trust Funds is to record the income based on the pledges made and not on the actual contributions received, therefore the account shows 100% income for the MEL, when in fact the MEL collection rate as of 31st October 2013 is only 64%. It is worth mentioning that following the adoption of IPSAS by UNEP as of 1 January 2014, provisions for old pledges will then be made mandatory at varying percentages depending on the ageing of the uncollected pledges.

#### **i. Assumptions underlying the budget**

##### **Exchange rate used**

Although most of the items in the budget are calculated and expressed directly in EUR, in some cases amounts need to be converted from USD into EUR and vice versa. The

exchange rate that has been used to translate the amounts from USD into EUR is the UN prevailing rate as of June 2013 (1 USD = 0.767 EUR)<sup>1</sup>. The items translated from USD into EUR were the salary costs of the Secretariat Professional Staff, secured project funding expressed in USD and the Greek Host Country Contribution. However, and while the exchange rate will continue to fluctuate during the coming biennium, the Secretariat will continue monitoring the situation and drawing the attention of the Bureau and CPs when necessary.

#### Calculation of staff costs

The salary cost for the Professional Staff of the Secretariat has been estimated using the UNEP pro-forma costs for the biennium 2014-2015, as prepared and revised periodically for all duty stations where UNEP has presence, including Athens. The average increase compared to this biennium is about 12%. However, the increase has been absorbed by further reductions in posts and levels of posts. The costs of the salaries of the Secretariat's locally recruited staff costs are calculated based on the latest local salary scale for Greece as well as the historical costs.

With regards to MAP components, salary costs for 2014 are based on those of 2013, assuming that 2014 will be a transitional year before full implementation of the proposed changes on 1 January 2015. For 2015, according to option 2, MTF will fund: 4 Professional and 3 Local Staff for REMPEC; 5 Professional and 1 Local Staff for PAP/RAC; and, 6 Professional and 5 Local Staff for SPA/RAC. Under option 4, a reduction of 15% on staff and operating costs of the 2013 level has been assumed for REMPEC, PAP/RAC, SPA/RAC and BP/RAC that currently receive MTF resources, without disaggregating the implications of this decrease in terms of structure.

#### Estimation of budget execution for 2013

The Secretariat estimates that the budget execution during 2013 will be at either 100% or close to the budgetary ceiling of 50% of the 2013 budget as recommended by the decision of the Bureau at its 77th meeting in July 2013 (UNEP/BUR/77/5). The 14% additional collection rate in 2013 will increase the fund balance by around 1m EUR, thus providing full provision for the old pledges in arrears that are mandatory as of 1st January 2014 following the adoption of IPSAS by UNEP.

#### Establishment of a Working Capital Reserve

According to the draft decision on Programme of Work and Budget (IG.21/7), a working capital reserve at the level of 15% of the annual expenditures (about 0.8m EUR including the Programme Support Costs) should be established as soon as the MEL balance allows it. Two scenarios can be envisaged as of 1<sup>st</sup> January 2014 regarding the establishment of the reserve:

##### *a. The historical collection rate of 95% is achieved in 2013*

This scenario could be reached if the pending 2013 contributions from countries that have confirmed that their payments are already being processed materialize. In this case, the cash resources available at the beginning of the biennium would be sufficient to cover running costs for approximately 4 months. Since the establishment of the Working Capital Reserve implies complex administrative procedures and immediately after its establishment the Secretariat would have to withdraw funds to cover these same items of expenditure, the

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<sup>1</sup> While the current rate (November 2013) is 0.746, the impact on the overall budget of UNEP/MAP is not significant.

Secretariat's proposal is to delay the transfer of balances to the reserve until running costs for the beginning of the year are covered. If the collection rates for 2014 follow the same timing and quantity patterns as those of last years, the establishment of the Working Capital Reserve could be achieved within the year.

*b. The 2013 collection rate remains at the current level (64%)*

Under this scenario, the cash position of the fund at the beginning of the next biennium would be negative by 0.7m EUR (Table 6 of Annexes 1a and 1b) and not only the establishment of the operating reserve would not be possible, but also all activities as well as new recruitments would have to be postponed until such a time that sufficient contributions are received, with the priority being the establishment of the reserve.

**ii. The Structure of the Budget**

The following information is included under the two options of Programme of Work and Budget proposed for discussion and adoption:

- a. **Overview of Income and Commitments:** in which the Core funding (MTF/EU vol./CAL) is separated from the External Funding. Estimated Counterpart Contributions in Cash/Kind of Contracting Parties hosting Regional Activity Centers are reinstated in the budget format;
- b. **Expected Ordinary Income (MEL/EU vol./CAL):** it is clarified that both EU vol. and Greek Host Country Contribution are indicated as being "additional contributions";
- c. **Summary of Activities and Administrative Costs by Components:** remains as before with a single line for Administrative support for the Regional Activity Centers as explained above;
- d. **Details of staffing and administrative costs for the UNEP administered units, the Coordinating Unit and MED POL:** follows the Secretariat Structure as proposed in Annex 2 of the Draft Decision IG.20/17 "MAP Programme of Work and Budget for the 2014-2015 biennium";
- e. **MEL Fund balance projection 2012-2017:** it includes the adjustment of the fund balance to the actual income received in 2013 so far (as of 31/10/2013) as well as the adjustment for the pledges currently in arrears. It also includes provision for a working capital reserve as mentioned in para 2.g above, the establishment of which will be possible only after the deficit has been fully recovered.

**iii. The Options**

Programme of Work and Budget Options 2 and 4 are provided by the Secretariat for consideration by the Contracting Parties at their 18th meeting following the decision of MAP Focal Points at the Meeting of the MAP Focal Points in Athens (Greece) on 10-12 September 2013 to limit the COP discussions to two options, while retaining the possibility of flexibility on the 15 per cent budget cut proposed under option 4.

These two different Programme of Work and Budget options were based on the assumption that the Biennium 2014-2015 will be a transitional biennium; that by end of 2015 all the structural changes that may be adopted by the Parties are fully in place. Therefore, 2014 will be a transitional year during which adjustments will be made.

Basis for preparing each Programme of Work and Budget Option:

**a) OPTION 2**

The budgetary allocations for 2014 and 2015 are based on those of 2012 and 2013 respectively. For 2015, costs of administrative support provided to MAP Components and core activities by the Secretariat under the Theme 1 – Governance were first calculated, with the remaining amount going to scalable funding. The scalable allocation funds activities in support of implementation of Protocols and strategies adopted by decisions of the Contracting Parties in line with the Strategic Programme of Work.

The basis for the ranges proposed as scalable funding for each theme is the detailed budgeting of all expected results under the PoW done by the Secretariat with MAP Components under the now discarded Option 1. With a view to provide with comparable levels of aggregation as some of the results were very detailed and others broader, the results in the scalable option were further aggregated and a margin of plus and minus 50% was then added to give the sought flexibility. However, the establishment of a minimum amount aims to secure a level of attainment of Parties' priorities.

It is noted that, depending on the projected budgets of awarded proposals, budget adjustments may be required to ensure a balance among activities to be undertaken.

As proposed under the draft Governance Decision (Draft decision IG.21/13), the criteria for selection of proposals will include: relevance of the activities proposed and outcomes expected to the strategic priorities and results to be achieved under the Programme of Work; soundness and clarity of the proposal, its methodology and the monitoring and evaluation arrangements; sustainability and impacts envisaged; and, organizational and managerial capacity. The availability of secured co-financing will be an advantage and the proposal's contribution to enhanced cooperation among MAP Components will also be considered.

Eligible project costs include: costs arising directly from the substantive activities to be carried out under the proposal; cost of staff and consultants to deliver on the activities up to a maximum of 40% of the proposed budget; travel and subsistence costs up to 10% of the proposed budget; visibility/communications/dissemination costs; and, a lump sum not exceeding 5% of the Project's eligible costs as programme support incurred by the Component.

**b) OPTION 4**

The budgetary allocations for the components were made based on the previous 2012-2013 biennium as well as that of the cumulative allocation for the Coordinating Unit and MED POL. A 15% cut was implemented on the remaining activities as of 2015, as well as on the administrative support to the Components, and the resulting total amount was left as a Pooled Fund.

As proposed under the draft Governance Decision (Draft decision IG.21/13), the criteria for selection of proposals include: relevance of the activities proposed and outcomes expected to the strategic priorities and results to be achieved under the Programme of Work;

soundness and clarity of the proposal, its methodology and the monitoring and evaluation arrangements; sustainability and impacts envisaged; and, organizational and managerial capacity. The availability of secured co-financing will be an advantage and proposals enhancing cooperation among Barcelona Convention/MAP Components will be prioritized..

Only costs arising directly from the substantive activities to be carried out under the proposal will be covered. In addition, programme support costs up to 5% of the total amount of eligible costs may only be claimed to by the Components who do not receive MTF for operational purposes.