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Agenda item 4: Report by the Secretariat on Financial and Administrative Issues

Report by the Secretariat on Financial and Administrative Issues

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FINANCIAL SITUATION AND PROPOSALS FOR 2018

1. According to the Interim Statement of Financial Position as at 31 December 2017, as provided by UN Environment Headquarters, the Mediterranean Trust Fund (MTF) balance increased from USD 7.2 million as at 31 December 2016 to USD 8.1 million as at 31 December 2017. These figures include the balances of previous years and will be finalized as soon as the interim UN Environment financial statement is reviewed by the UN Auditors in 2018 and an audited and certified financial statement will be provided by UN Environment Headquarters. The above balances represent the total net assets at the end of the financial year and as such they include the assessed contributions receivable (arrears), the working capital reserve, advance payments and investments.

2. In accordance with paragraph 7 of COP 18 decision on the Programme of Work and Budget (Decision IG.21/17), a working capital reserve at the level of 15 percent of the annual expenditures was established in July 2014. With the overall increase of the budget in 2016-2017 from the previous biennium and as decided at the 19th Meeting of the Contracting Parties (COP 19) held in Athens in February 2016, an additional EUR 25,000 was transferred to the reserve in the end of 2017, making the total of the reserve an equivalent of EUR 856,000. In USD the Working Capital Reserve has been increased from the level of USD 1.10 million in 2014-2015 to the level of USD 1.13 million in 2016-2017. In accordance with Decision IG.23/14 on the Programme of Work and Budget for 2018–2019, as approved by the 20th Meeting of the Contracting Parties (COP 20) held in Tirana in December 2018, the working capital reserve is increased by EUR 38,031 for the year 2018, in line with the increase in the proposed total commitments compared to the previous biennium. In view of the above, the working capital reserve will be adjusted to the level of 15 percent of the annual expenditures, i.e. for 2017, based on the interim results, the working capital reserve would be USD 905,084. As stated in UNEP(DEPI)/MED IG.21/9 Annex II – Thematic Decisions, Procedure 3, paragraph 2, of the Financial Rules and Procedures for the funds of the Barcelona Convention “the purpose of the working capital reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash as well as to provide for potential losses on exchange.” The Secretariat is currently in consultations with UN Environment HQ to identify the modalities and technicalities in order to cover exchange rate losses from the available reserve.

3. According to the Interim Statement of Financial Position as at 31 December 2017, as provided by UN Environment Headquarter, the fund balance of the host country contribution account (CAL) decreased from USD 952,325 as at 31 December 2016 to USD 393,930 as at 31 December 2017. The figures will be finalized as soon as the interim UN Environment financial statement is reviewed by the UN Auditors in 2018 and an audited and certified financial statement will be provided by UN Environment Headquarters. The fund balance of 2016 included revenue for the years 2016 and 2017 hence resulting in a surplus for the period 2016 and consequently in a deficit for 2017. At the same time, the fund balance of 2017 includes part of the 2016 rent to the National Research Institute which was only accounted for in 2017. Additionally, some administrative costs were temporarily charged to MEL in 2015 prior to the receipt of the host country contribution. Reimbursement of these administrative costs to MEL was delayed due to the complication of the Umoja accounting procedure, and therefore, the equivalent amount of the CAL was used to off-set the amount borrowed from MEL in 2015 by charging staff costs of USD 122,158 to CAL in 2017, as per the interim financial statement. The loan of USD 170,365 from UNEP HQ (OTA fund) to the CAL account was fully repaid in December 2017, in accordance with the operational clause 5 of the Budget Decision (IG.22/20), “*Welcomes the loan of USD 170,000 provided by UNEP HQs to ease the cash flow of the Host Government Contribution account and requests the Secretariat to reimburse it as soon as practical and to continue implementing the Host Government Contribution account recovery plan as adopted by COP 17.*” This repayment is reflected as a negative balance of USD 170,365 under revenue in the Statement of Financial Performance for the year 2017 increasing accordingly the deficit for the period.

4. The collection rate of assessed ordinary contributions to the Mediterranean Trust Fund has reached a high of 92.63% for 2018, as at 28 September 2018. One Contracting Party (Montenegro) has

already paid 2019 contribution which was an advance payment, recorded as deferred income in 2017. The status of contributions as at 21 September 2018 is presented in Annex I.

5. The European Commission (EC) Discretionary Contribution for 2018 was received in April 2018. The Host Country contribution for 2018 was received in August 2018.

6. As of September 2018, 14 Contracting Parties have paid the 2018 contributions. Three contracting parties (Bosnia and Herzegovina, Greece, Morocco) have not yet paid their 2018 contributions. In addition, Syrian Arab Republic, State of Libya and Egypt are still in arrears for over 24 months. Algeria and Lebanon are in arrears with 2017 and balance of 2016 contributions. In light of the above, correspondence was sent to the above mentioned Contracting Parties including the invoices showing amounts due in respect of their assessed contributions.

7. As regards the assessed contributions in arrears, and further to the recommendation of the 85th Bureau meeting (document: UNEP(DEPI)/MED BUR.85/5), the Secretariat liaised with UNEP Headquarters seeking advice in identifying the appropriate means to address the issue of longstanding arrears and their impact on the effectiveness of the PoW implementation. In addition, the Secretariat has reviewed the practice of other Multilateral Environmental Agreements (MEAs), under which the Parties in arrears are not allowed to be appointed to the Bureau of the COP or other governing bodies of the MEA (working groups, committees) and/or for the developing countries, the delegates of the Parties in arrears are not paid for their attendance to meetings. The receipt of the amounts due in respect of the assessed contributions for countries in conflict are to be considered challenging.

8. In the cases of Algeria, Egypt and Lebanon, and further to the reminder letters sent, follow up actions will be taken in line with UNEP(DEPI)/MED IG.21/9 Annex II – Thematic Decisions, Procedure 4.2.e of the Financial Rules and Procedures for the funds of the Barcelona Convention which reads as follows: *“The Coordinator shall propose to any Party whose contributions are in arrears for two or more years, a payment schedule to enable such a Party to clear all outstanding arrears within a maximum of six years, depending on the financial circumstances of the Party, and to pay future contributions by their due dates. The Coordinator shall report to the Bureau and to the Contracting Parties at their next meetings on progress under any such schedule”*. The Secretariat will consider taking further actions in line with UNEP(DEPI)/MED IG.21/9 Annex II – Thematic Decisions, Procedure 4.2.f of the Financial Rules and Procedures for the funds of the Barcelona Convention which states as follows: *“With regard to contributions due from 1 January 2014 onwards any party whose contributions are in arrears for two or more years shall not be eligible to become a member of the Bureau of the Contracting Parties or any of its subsidiary bodies. This provision shall not apply to Parties that have agreed on and are respecting a schedule of payments implemented in accordance with paragraph (e) above;”*.

9. In the cases of Syrian Arab Republic and of the State of Libya, as stated in the *“Report by the Secretariat on Financial and Administrative Issues”* presented to the 85th Bureau meeting (document UNEP(DEPI)/MED BUR.85/5) the Secretariat further followed-up on this regard, including with bilateral communication. As regards Syrian Arab Republic, it seems that the most feasible approach is the settlement of the outstanding amounts through UNDP and most probably in tranches. As regards the State of Libya, its Focal Point to the Mediterranean Action Plan, Dr. Ali Ragab Elkekli, transmitted a letter from the Head of the Managing Board of Environment General Authority (EGA), Mr. Abdelmonaem M. Aboughris, addressed to the Coordinator of the Barcelona Convention Secretariat, in response to previously sent correspondence. In this letter the continuous support of the State of Libya towards the Programmes of the UN Environment/Mediterranean Action Plan Coordinating Unit is reiterated, and it is emphasized that the failure of the State to pay its assessed contributions is due to conditions beyond its control which are associated with the political instability and the economic problems the country is facing. It is reassured that the EGA is in contact with the appropriate authorities and it is making any effort to resolve the issue of the outstanding contributions as soon as possible.

- State of Libya EUR 614,466 (arrears since 2011)
- Syrian Arab Republic EUR 104,124 (arrears since 2011)
- Egypt EUR 183,378 (arrears since 2016)
- Algeria EUR 148,871 (arrears since 2017 and balance 2016)
- Lebanon EUR 45,644 (arrears since 2017 and balance 2016)

10. During COP 20 Italy pledged to contribute 2,015,000 million Euros in the biennium 2018-2019 for the implementation of key activities of the Programme of Work and Budget and 300,000 Euros to fund the Information and Communications Officer post for the biennium 2018-2019, in the context of the Memorandum of Understanding between UNEP and IMELS. Payments against these pledges took effect in May 2018, when an amount of EUR 1,306,000 and an amount of EUR 45,000 were received in UN Environment's bank account.

11. The preparation of seven Project Documents for the Coordinating Unit including the MED POL Programme and the RACs was initiated immediately after the COP to enable the implementation of the 2018-2019 PoW and make its Budget operational. The seven Project Documents and the respective six legal instruments with the RACs have been duly signed. The first cash advances to the RACs corresponding to 2018 budget funded from MTF and Italian contribution have been paid. The RACs report on their expenditures on a 6-monthly basis. An update on the expenditures will be provided at the 88th Bureau meeting.

12. The Secretariat would like to bring to the attention of the Bureau that the Programme Support Cost (PSC) share of Mediterranean Action Plan for the year 2018, as calculated based on the income of the year 2017, amounts to USD 410,674 and the allocation after the deduction of Umoja costs share of USD 30,250 amounts to USD 380,424.

13. The Secretariat, in close collaboration with HQ, is working intensively to implement the recommendations of the UN Board of Auditors on inactive trust funds, projects and grants. This project clean-up exercise entails review of income, expenditure, programme support cost records and clearance of open items.

Proposed Recommendations:

- (a) The Bureau notes with appreciation the high level of contributions received for the year 2018. It requests the Contracting Parties whose 2018 contributions are still pending to pay them and the arrears as soon as possible.**
- (b) The Bureau takes note of the actions taken by the Secretariat for the cases of arrears for over 24 months and requests the Secretariat to continue its efforts to collect the arrears and report to the Bureau and to the Contracting Parties on the outcome of its actions.**
- (c) The Bureau requests the Secretariat to continue its efforts at finding a solution for the long-standing arrears of the Syrian Arab Republic and the State of Libya, considering their current situation, and to report to the next session of the Bureau on any development.**

I. CONSULTANCY REPORTING

14. The summary of consultancy costs for 2018 will be presented to the 88th Bureau Meeting.

II. PERSONNEL MATTERS

15. The status of recruitment is summarized below:

P4 Programme Management Officer (MED POL) (Position No: 30600866): Mr. Mohamad Kayyal was selected for and took up the position effective 1 September 2018.

P4 Administrative/Fund Management Officer (Position No: 30601050): Ms Lydia Eibl-Kamolleh was selected against the temporary Job Opening and reported for duty as of 11 August 2018.

P3 Programme Management Officer (Med Pol Monitoring) (Position No: 31002533): Ms. Jelena Knezevic reported for duty as of 1 May 2018.

P3 Public Information Officer (Position No: 30600867): the post was advertised in the United Nations Careers Portal, Inspira, with a deadline for applications of 14 September 2018. The recruitment is underway.

P3 Programme Management Officer (Quality Status Report) (Position No: 31025245): the post was advertised in the United Nations Careers Portal, Inspira, with a deadline for applications of 29 September 2018. The recruitment is underway.

P3 Programme Management Officer (Shared Environmental Information System II South Project) (Position No: 31025623): the temporary post was advertised in the United Nations Careers Portal, Inspira, with a deadline for applications of 19 September 2018. The recruitment is underway.

III. OTHER MATTERS

16. The Secretariat was informed by the Host Country (Hellenic Republic) that the location identified to be used as possible premises to relocate the Secretariat from its current premises is no longer available. Discussions regarding identification of new adequate premises to relocate the Secretariat or renovation of the existing location will continue.

Annex I
Status of 2018 contributions as at 28/09/2018

Status of 2018 contributions as at 28/09/2018

Country	Unpaid Pledges for 2017 and Prior years	Pledges for 2018	Collections for 2018	Unpaid Pledges for 2018	
	EUR	EUR	EUR	EUR	
Albania	-	3,217	3,217	-	
Algeria	84,125	64,746	-	64,746	
Bosnia and Herzegovina	-	5,228	-	5,228	
Croatia	-	39,813	39,813	-	
Cyprus	-	17,292	17,292	-	
Egypt	122,252	61,126	-	61,126	
European Union	-	142,670	142,670	-	
France	-	1,954,037	1,954,037	-	
Greece	-	189,412	-	189,412	
Israel	-	172,924	172,924	-	***
Italy	-	1,507,250	1,507,250	-	
Lebanon	27,145	18,499	-	18,499	
Libya (State of Libya)	564,198	50,268	-	50,268	
Malta	-	6,434	6,434	-	
Monaco	-	4,021	4,021	-	
Montenegro	-	1,609	1,609	(1,657)	***
Morocco	-	21,716	-	21,716	
Slovenia	-	33,780	33,780	-	
Spain	-	982,447	982,447	-	
Syrian Arab Republic	94,472	9,652	-	9,652	
Tunisia	-	11,260	11,260	-	**
Turkey	-	409,387	409,387	-	
T O T A L	892,192	5,706,788	5,286,141	418,990	92.63%

Additional Contributions for 2018, for information purposes only

	Expected contribution	Received contribution
	EUR	EUR
European Commission	596,484	596,484

	Expected contribution	Received contribution
	EUR	EUR
Greece	367,200	322,035

* Difference due to exchange rate fluctuations.

** The Contribution of Tunisia for 2017 was received in January 2018.

*** The Contributions of Israel and Montenegro were paid in prior years.