

TABLE OF CONTENTS

Report

Annex I: List of Participants

Annex II: Agenda

Annex III: Conclusions and recommendations

Introduction

1. Pursuant to the decision of the 71st Meeting of the Bureau of the Contracting Parties to the Barcelona Convention held in Zagreb in November 2010 and at the invitation of the Government of Greece, the Meeting of the Extended Bureau was held at the Royal Olympic Hotel in Athens, Greece, from 3 to 5 October 2011.

Participation

2. The following members of the Bureau attended the meeting: President: M. Mohamed Benyahia (Morocco), Vice Presidents: Ms. Heba Shaarawy (Egypt), Mr. Ilias Mavroidis (Greece), Mr. Oliviero Montanaro (Italy), Ms. Ayelet Rosen (Israel), Rapporteur: Ms. Marijana Marncce (Croatia). The representatives of the following other Contracting Parties attended the meeting: Algeria, European Union (EU), France, Malta, Monaco, Montenegro, Spain, Syrian Arab Republic and Tunisia.

3. UNEP Headquarters was represented by Mr. Michele Candotti, Chief of the Executive Office, and Mr. Didier Salzmann, Fund Management Officer, Division of Environmental Policy Implementation. The UNEP/MAP Coordinating Unit was represented by Ms. Maria Luisa Silva Mejias, Executive Secretary and Coordinator, Mr. Habib El-Habr, Deputy Coordinator, Mr. Didier Guiffault, Legal Officer, and Ms. Kumiko Yatagai, Administrative and Fund Management Officer.

Agenda item 1: Opening of the meeting

4. The President of the Bureau, after opening the meeting and welcoming participants, said that the critical financial situation facing UNEP/MAP had prompted the convening of the current meeting, whose main objective was to deliberate on the proposed deficit recovery and financial management measures, while concomitantly addressing related governance issues, also taking into account the wider context of the economic and financial difficulties confronted by Contracting Parties. He observed that the late receipt of the report of the audit requested by the Zagreb Bureau meeting increased the time pressure on the Extended Bureau (hereinafter "the Bureau") to produce operational recommendations for consideration by the forthcoming Meeting of MAP Focal Points.

5. Ms Maria Luisa Silva Mejias, Executive Secretary and Coordinator of MAP, recalling that she was addressing the Bureau for the first time as MAP Coordinator, stressed her commitment to the ideals and objectives of the Barcelona Convention and to enhancing MAP's capacity to ensure further cooperation and effective and efficient delivery of its programme of work. She was likewise committed to regaining the trust of the Contracting Parties: she extended her apologies for the circumstances that had led to the deficit in the Mediterranean Trust Fund (MTF) and assumed personal responsibility for ensuring that there would be no recurrence of such a situation.

6. The meeting would therefore be addressing the two closely related issues of deficit recovery and governance reform. As soon as the facts about MAP's finances had become known, and pending the outcome of the audit, steps had been taken to redress the situation. She outlined the various measures already taken to reduce the deficit, improve fund management and review MAP's functioning, both in response to the immediate crisis and as part of a longer-term undertaking to improve the MAP system's transparency, accountability, effectiveness and efficiency. The Bureau's guidance in restoring the financial health of MAP and charting the way forward was critical. With a new management team in place, the Secretariat stood ready to play its part, as an instrument in the service of Contracting Parties,

in the common endeavour to overcome the current difficulties and work towards further reform, in the overarching interest of the shared values of the Barcelona Convention.

7. Mr Michele Candotti, Chief of the Executive Office, UNEP, speaking on behalf of the Executive Director of UNEP, said that UNEP was aware that the present juncture was a turning-point in the political, strategic and financial management of the Barcelona Convention. He stressed the importance to UNEP of collaboration with the Convention and therefore its attentiveness to the Bureau's recommendations. It was also fully aware of the domestic constraints faced by governments hit by the current global economic and financial crisis. Conscious as it was of the uniqueness of the Barcelona Convention and its potential for providing ecologically sound responses in the current context, UNEP was participating in the Bureau's meeting in order to provide facts and figures that would enable the Bureau to take informed decisions, and to listen to the discussions and stand by the Bureau's guidance.

Agenda item 2: Adoption of the agenda and organization of work

8. The Bureau considered the provisional agenda and the annotated provisional agenda contained in documents UNEP/BUR/72/1 and Corr. and UNEP/BUR/72/2 and agreed to the President's proposal to add an item on governance issues covering both the two "non-papers" submitted by France and Spain and the "functional review" section of agenda item 4. The agenda, as amended, was adopted, and is attached as Annex 1 to this report.

9. Following a request that the item on the roadmap towards the 17th Meeting of the Contracting Parties be restored to the agenda, it was agreed that a tentative timetable of meetings culminating in the Meeting of the Contracting Parties, with an outline of their agenda, would be provided. The draft roadmap was subsequently circulated to representatives.

Agenda item 3: Presentation of the Audit Report

10. Mr Didier Salzmann, Fund Management Officer, UNEP, introducing the Audit Report on the Financial Performance of UNEP/MAP (document UNEP/BUR/72/Inf.3), recalled that, upon being informed by UNEP about MAP's financial situation, the Bureau, at its meeting held in Zagreb in November 2010, had requested UNEP to commission an internal audit and had specified its terms of reference (ToRs). The audit had been conducted by the United Nations Office of Internal Oversight Services (OIOS) between December 2010 and March 2011, although its final results had not been received by UNEP and transmitted to Contracting Parties until early September 2011. The purpose of the audit had been to assess whether UNEP effectively implemented risk management, control and governance processes to provide reasonable assurance regarding the financial management of the trust funds in support of MAP activities, principally the MTF (UN fund code MEL) for Contracting Parties' ordinary contributions, the trust fund for extra budgetary contributions, mainly from the EU (code QML), and the fund for the contribution of the Government of Greece as host country (code CAL). The key controls tested for the audit were those related to (a) risk management and financial forecasting and (b) the regulatory framework. The audit covered the period 2002-2011.

11. The main findings of the audit were that UNEP's risk management, control and governance processes were unsatisfactory. The combined negative balance of the MEL and CAL funds was confirmed at USD 5.1 million, while the QML fund showed a positive balance of USD 3.2 million. There had been no misappropriation of funds. All budgeted funds had been fully accounted for and spent on the programme of work. Income had, however, been

regularly over-estimated in budget proposals. The auditors recommended that the negative fund balance should be replenished by the Contracting Parties. He concluded by listing the nine recommendations made to UNEP by the auditors, as contained in the Audit Report.

12. Mr Candotti specified the six measures that had been taken immediately, even before the audit findings had been released, to address the systemic problem that had come to light and had led to the deficit in the MEL and CAL funds: a fundamental review of budgeting processes, bringing them into line with United Nations policies and procedures; a revision of income projections, with a 14 per cent reduction to correct budgeting inaccuracies; a revision of accounting procedures throughout the system, i.e. between MAP and the Regional Activity Centres (RACs), MAP and UNEP, and UNEP and UNON, noting that UNON was the main service provider of UNEP, its treasurer dealing with fund management; an additional allocation to the MTF from UNEP's Special Account for Programme Support Costs (PSC) of a little over USD 1 million; changes in the management team at MAP to strengthen its delivery capacity and fund management; and a functional review of MAP staff to bring functions into line with expected outcomes. As a result of those measures, the deficit had already been reduced to some USD 2.2 million.

13. The Bureau took note of the Audit Report and of the measures already taken to reduce the deficit and improve fund management. The report prompted a number of comments and questions. It was generally considered unsatisfactory and opaque, lacking as it did precise information on the causes of the accumulated deficit, a proper analysis of accountabilities, the division of responsibility between MAP and UNEP/UNON and why fund management links had broken down, and detailed figures on the amounts involved. The purpose of the exercise, in addition to dealing with the past and the present, was to prevent a recurrence of such a situation in the future, and it was still not clear what MAP itself could or should be doing to that end, notably in terms of risk management.

14. A preliminary comment concerned the form of the report, with many Bureau members and other representatives of Contracting Parties (hereinafter "representatives") questioning the language used, although, following explanations, the Bureau acknowledged that it was addressed not to MAP or to the Contracting Parties but to UNEP as the body commissioning the audit, albeit at the Bureau's behest. The report was an information document and did not require endorsement by the Bureau. It remained that the Contracting Parties' voice should be heard. Representatives considered some of the recommendations to lie outside the audit ToRs as set forth by the Bureau, a notable example being recommendation (4) to the effect that the Contracting Parties should reimburse the amounts spent on activities for which available funds had been over-estimated in the budget proposals.

15. Recommendation (4) was strongly challenged, indeed rejected, by the Bureau, since to follow that recommendation would imply acceptance of responsibility, whereas the Contracting Parties could in no way be held responsible for the generation of the deficit, nor for shortcomings in risk management and financial forecasting. The budget proposals submitted to them and approved by them had been certified by UNEP and UNON, and the funds allocated for project activities had been spent in good faith. Moreover, the reference, in UNEP's response to recommendation (4), to "the implementation of more programme activities than actual funding allowed" prompted a request for more detailed information on which activities were in question. The Contracting Parties had for many years been requesting a clear vision of income and expenditure in the budget proposals, but had always been asked to take the proposals on trust. They had also been vigilant on the question of unpaid arrears. The prevailing view was that the problem was clearly one of inadequate management and oversight and an apparent lack of checks and balances in budgetary and accounting procedures at the UNEP/UNON level, although the point was made that, should collective responsibility be ascertained, at the very minimum collective solutions should be proposed and also that UNEP and UNON were left largely unscathed by the Audit's findings.

It was furthermore noted that the UNEP response to the recommendation to the effect that it remained open pending receipt of a decision by the extraordinary meeting of the Bureau on deficit recovery was inoperable, since the Bureau could only advise the Contracting Parties. A further point made on the recommendation was that any scenarios for deficit recovery must take account of governance issues, a topic to be discussed later in the meeting.

16. The Bureau noted that the question of accountability was inadequately explored. Moreover, the UNEP response to recommendations (3) and (6) on that subject, to the effect that a panel of qualified UN staff would be established by the Executive Director of UNEP to determine accountability and deliver its findings by 30 March 2012, failed to take account of the MAP calendar of meetings, in particular the holding of the Meeting of Contracting Parties earlier in the year. The Contracting Parties could not adopt a decision on the situation or on the budget without all the facts to hand. The possibility of conducting an interim review of the status of the investigations prior to the forthcoming Meeting of the Contracting Parties was mentioned. A question was raised about the appropriateness of UNEP determining accountability, since it was both "judge and judged". Following a discussion, the Bureau considered that the substance of the UNEP response to those recommendations was relevant, but UNEP was urged, after determining responsibilities behind the inaccuracy of budget proposals and the creation of inappropriate allotments, to report to the Contracting Parties at their 17th meeting. A similar comment on submission of information in time for the Meeting of the Contracting Parties concerned UNEP's response to recommendation (7), which set the deadline for the outcome of consultations on the division of authority for financial and other administrative matters between UNON and UNEP at 30 March 2012.

17. The matter of accountability was closely linked to the reasons for the accumulation of the deficit over so many years, which were still not fully and clearly identified or explained and remained a matter of great concern to Contracting Parties. It was noted that earlier audits had been conducted over the period in question, in 2006 and 2009. The reasons for the peaks in over-expenditure in certain years that had now come to light also required clarification. It was suggested that a contact group on the budget might be set up to prepare for the forthcoming Meeting of the Contracting Parties, possibly drawing on input from other conventions, although caution was urged in determining the objectives and ToRs of any such group so as not to undermine the prerogatives of the Contracting Parties.

18. On the subject of the causes of the deficit and possible alternative sources of funding, to recover it and to be prepared for future contingencies, representatives requested more information on the inter-fund borrowing mechanism, the administration of the MTF, QML and CAL funds, the nature of the debts incurred, why no monitoring was in place to ascertain over-borrowing and whether the debt could be renegotiated or deferred, or the mechanism further drawn upon on grounds of solidarity; on possible additional allocations from UNEP's Special Account for PSC, it being noted that the USD 1 million already allocated was a grant contribution; whether, with the new division of responsibility between UNEP and MAP, the 13 per cent commission charged by UNEP to Contracting Parties to the Barcelona Convention could not be reviewed, particularly in the light of charges to other conventions; on the revolving fund decided upon by the Contracting Parties; and in general why no alarm bells had been sounded as the deficit accrued. On the specific question of the revolving fund, Ms Silva confirmed the decision of the previous Meeting of the Contracting Parties to establish such a fund, but that the position now was first to address the deficit so as not to hamper MAP's operations, and to establish the revolving fund from any savings made once the deficit had been recovered. With regard to QML-MTF transactions, she referred participants to item 7 of the ToRs of the OIOS Audit, circulated for information, which related to misposting of transactions, a matter on which concern had been expressed at the Bureau's Zagreb meeting. As stated in paragraph 6 of the Audit Report, the auditors had not addressed that item, considering it to be a low-risk issue.

19. The Bureau stressed the importance of precise figures to enable the Contracting Parties to take fully informed decisions. There should be no confusion between “real” money, such as Contracting Parties’ contributions, and forecasts or budgetary inaccuracies. Among the figures missing from the report, or at best approximate, were, firstly, the exact amount of the deficit, those on unpaid pledges, since representatives noted that only one country - Libya - was now still in arrears with its contribution; those on outstanding advances to the RACs, noting significant discrepancies in the figures contained in Table 9; and amounts given variously in USD and Euros. In general, on the understanding that the matter would be further discussed under subsequent agenda items, they wished to see some sort of implementation table listing the shortcomings found, such as in budgetary procedures, and the measures taken or recommended to overcome them, together with figures and deadlines, in order to give the Contracting Parties a complete overview and prevent further mismanagement in the future. On the question of the approximate figures (USD 2 or 2.2 million) given for the remaining outstanding deficit, Ms Silva pointed out that currency exchange fluctuations between the US dollar and the Euro might affect the final amount, adding that the figures given were the best estimate to date and that a final figure would not be available until the UN closed its accounts in March 2012. The amount received in the current year for unpaid contributions from previous years was EUR 410,353.

20. In a subsequent exchange of views, the point was made that the principle matter of concern to Contracting Parties as a basis for the political decisions they would have to take and over and above MAP/UNEP/UNON working relationships or accounting problems, was the extent to which the budget approved by the Contracting Parties at their 16th Meeting had been affected by the financial situation and what burden from the past they would have to bear in the next biennium. The same would apply in successive bienniums, hence the need for the carry-over to be clearly and systematically specified. They needed to know what the required level of contributions was to maintain the budget level. It was suggested that a possible solution might be to present the budget in two separate parts, one being the normal budget devoted to implementation of the programme of work and the other showing the amounts required to resolve the financial crisis, with the sum of the two not exceeding current ordinary contributions to the MTF. It was added that, since the five-year programme of work did not specify figures, prioritization of activities was essential in order to relate the five-year programme to the two-year programme, and that governance was a key issue in that respect.

21. Replying to comments, Mr Salzmann acknowledged that the timing proposed in the UNEP/UNON response to the recommendations did not take account of the MAP calendar of events, but explained that the action UNEP was taking in response to the problems that had arisen and to the audit recommendations were structurally addressed to all the conventions administered by UNEP in order to eliminate “grey areas”, and that they would ultimately all benefit from such concerted action. The peaks in the deficit corresponded to end-of-biennium findings. In reply to a question about the training plan recommended in an earlier audit, he said that the matter would be taken up by the Secretariat.

22. As to the reasons for the deterioration in the MTF fund balance, he recalled and expanded upon the reasons described in the Audit Report, notably shortcomings in budgetary practices, with the inclusion in the budget proposals of items of income that did not in fact constitute available income, such as unpaid arrears and anticipated bank interest, a build-up of inter-fund borrowings to finance the deficit, attribution by UNEP of certain expenditures to the MTF, such as voluntary contributions, that should more appropriately have been charged to the QML fund, the use of a budgetary exchange rate that underestimated the actual value of the expenditures in UNEP’s US dollar books, the impact of currency fluctuations, and discrepancies between advances made to the RACs and the recording in the accounts of RAC expenditure not fully accounted for because of the

periodicity of the reporting procedure. Regarding the three MEL, QML and CAL funds, they were all administered by UNEP. Following up on Ms Silva's comment that the resources in QML were either earmarked or intended for very specific projects, he said that therefore, after the recent adjustments made to transfer funds to the MTF, no further funding was available from that source.

23. Responding to further questions about the inter-fund borrowing mechanism, the interrelationship between UNON and UNEP in that regard and the scope for possible renegotiation or deferral of MAP's debt, he explained that inter-fund borrowing was a mechanism that had been developed by UNEP Headquarters to enable a fund whose expenditures had gone beyond the respective income to borrow the additional amount from other funds. The difference between the MTF deficit as at 31 December 2009 (4.5 million) and the respective inter-fund borrowing (5.4 million) was mainly due to the existence of uncollected pledges, which, in accordance with UN financial rules and regulations, had been credited to income before the actual receipt of the cash, since after the approval of the budget by the Contracting Parties they were considered solid commitments. That was why the collection of pledges in arrears reduced only the inter-fund balance and not the deficit as such. The amounts now transferred to QML were not contributions but expenditures that had been wrongly charged to the MTF. He confirmed that there was no procedure for limiting expenditure and debt, but said that the whole system was currently being reviewed in depth to ensure that the necessary checks were in place. Representatives stressed the need for monitoring and control procedures to be put in place so that there would be no recurrence of such practices. In reply to the query about the USD 1 million allocation from the Special Account for PSC, Mr Salzmann said that it was a one-off allocation representing a significant contribution by the Executive Director of UNEP to deficit recovery and hence an assumption of responsibility for the problem. Regarding the various references to USD and Euro amounts, he outlined the difficulties encountered by UNON in recording and reporting Euro transactions in the UN system's dollar books, as described in paragraphs 41-42 of the Audit Report. The system was currently under review but there were limitations to the information management tools still used to record such transactions.

24. Representatives acknowledged that the situation was due partly, but by no means entirely, to an accounting problem. Certainly budget proposals submitted to the Contracting Parties should have included at the outset carry-overs from the previous biennium, together with a transparent presentation of actual income and expenditure, but the crux of the issue lay with failures in monitoring and certification, fund sufficiency assessments and expenditure controls, and a lack of clear authority and division of responsibility between UNEP, UNON, the Coordinating Unit and the RACs. On the latter subject, representatives observed that all RACs had in good faith spent the cash advances, yet on the books had accumulated a deficit.

25. Ms Katagai, MAP Administrative and Fund Management Officer, informed the meeting that the division of responsibility had now been clarified. Traditionally, all fund management responsibility had lain with UNEP, but the data entry point had now been decentralized to MAP, with UNEP retaining oversight authority. With regard to the RACs, noting that since 2009 UNEP had determined that all advances should be considered expenditure, work was proceeding in MAP to check all the figures concerning the outstanding receivables in detail, and would be completed by February 2012. To date, a significant reduction had been achieved. The discrepancies noted in Table 9 of the Audit Report would be cleared and, once all outstanding receivables had been closed, the RAC/MAP accounts should be balanced and there would be no problem in the future. In reply to questions, Ms Silva pointed out that, since cash advances to RACs were now counted as expenditure when disbursed, the amounts involved had been incorporated into the deficit calculations, and also

that MED POL and the Coordinating Unit did not receive advances, which were restricted to bodies that did not come under UNEP's authority.

26. Mr Candotti, providing further clarifications, explained that one of the problems was that UNEP worked with a cash budget system, not an accrual system, which meant that no distinction could be seen between disbursement and capital expenditure. However, major, radical changes were taking place within UNEP as it moved towards adopting an accrual system. Another crucial issue was the legal framework governing multilateral agreements. UNEP's Governing Council in February 2011 had noted discrimination in the management of accounts between the different conventions, and "grey areas" in respect of some conventions such as the Barcelona Convention which UNEP did not have the mandate to correct. Under the current Spanish presidency, discussions were ongoing on that matter. Another point was that there were dedicated trust funds for each convention, but a common kitty for overhead costs, sometimes used for urgent measures. There, too, changes were under way and there was now a move towards a dedicated fund for certain conventions. Regarding division of authority, he explained that until a year or two previously, accounts management, reporting and banking had been the responsibility of UNON. UNON had reported to UNEP, which in turn had reported to the MAP Secretariat. Following the devolution of accounts management to UNEP, the latter had in turn moved towards decentralization of fund management, which was now in the hands of MAP, with UNEP retaining oversight authority.

27. In response to the question about whether there might be a budgetary return to Contracting Parties on UNEP's 13 per cent charge for administrative costs now that some tasks had been devolved to MAP, he said that the bulk of that amount was already used to cover administrative and financial costs at the Athens office, including eight staff posts. However, the balance could be renegotiated, with due caution exercised not to create routine precedents. Mr Salzmann further explained that the 13 per cent charge was the standard PSC percentage levied on the income of the UN as per the agreement between the UN and Member States, but other percentages were also applied, such as 4.5 per cent in the case of the EU voluntary contribution. Normally, 67 per cent of PSC was given back to the office generating such income and the remaining 33 per cent was withheld by UNEP Headquarters to cover the administrative costs associated with the oversight and support of the office. In the case of MAP, almost 100 per cent of PSC had been returned to the generating office in recent years to finance a number of posts and cover other expenses such as oversight missions.

Agenda item 4: Measures to improve fund management and enhance delivery of the programme of work

28. Ms Katagai introduced document UNEP/BUR/73/3, specifying that her presentation would focus on the financial measures taken or being taken to improve fund management, to enhance effectiveness and efficiency in programme delivery, and to collect contributions and raise funds. She presented each of those three areas in terms of problems identified and action taken. The measures taken to improve fund management were aimed at improving the budgeting process, strengthening monitoring and management of cash advances, and introducing mechanisms to prevent allotments from exceeding available resources. They were in line with OIOS Audit recommendations (1), (2), (8), (9) and (5).

29. In order to improve the budgeting process, a new budget format had been developed which would be used to present the draft 2012-2013 budget to the Contracting Parties for approval. The format was results-based and comprehensive; it followed a logical flow and also served as a fund mobilization tool. UNEP would review and clear the draft budget prior to submission to the Contracting Parties. A clear work flow had been identified and the formal budget clearance process had been institutionalized. A first step had been to remove from

the "income" section of the budget items such as unpaid pledges for previous years, bank interest and provision from the MTF reserve that had caused overspending beyond actual income.

30. Under the old budget format, it had been difficult to see a clear overall picture of MAP activities, since there had been no comprehensive summary of income and commitments, including all sources of funding, nor a presentation of projects and counterpart funding. Budget presentation would now start with a comprehensive overview of "income and commitments", including all "expected ordinary income" and "other UNEP/MAP income", with a breakdown under each section heading. She presented the proposed overview table as contained in the new budget format (Annex I to document UNEP/BUR/73/3). Following the overview, there was now also a clear breakdown of the distribution of funds among thematic areas, outputs and components, which had not been the case in the past. A table of contents was included for ready reference to the structure of budget presentation.

31. In the past, negotiation and identification of activities requiring additional funding had been carried out on an ad hoc basis. In the new format, "amounts to be mobilized" were presented by output and component (section 7) and a column indicating "external funding to be mobilized" had been added to show the gap between secured funding and funding to be mobilized for each output (section 5). There was also now a breakdown of activity costs by thematic area, which had been missing in the past, in addition to administrative costs (sections 8 and 9).

32. Regarding the monitoring and management of cash advances, no new advances would be made to the RACs until previous advances had been justified and fully reported and recorded. An initial 15 per cent reduction in advances outstanding over 24 months had been achieved, and further ongoing work had already yielded a further five per cent reduction. Strengthened monitoring and timely closing of advances had now been decentralized to MAP as the single data entry point.

33. In order to prevent allotments from exceeding available resources, and consistent with Audit recommendation (5), allotments were now to be phased in line with actual cash available. Instead of programming 100 per cent of funds approved by the Contracting Parties, the proposal was now to programme only 40 per cent at the beginning of the year, with a review in June and September as contributions came in. That proposal would require the understanding and cooperation of Contracting Parties in terms of early payment of their annual contributions.

34. The Bureau commended the immediate action taken by the Secretariat to stabilize the deficit by adjusting expenditures to income. In particular, it welcomed the new budget format and requested that it be the basis for the submission of the 2012-2013 budget to the Contracting Parties at their 17th Meeting. The new format was an appropriate working tool conducive to better fund management and the readability of budget documents. The Bureau agreed with a proposal from the floor that capacity-building and technical assistance activities should be specifically identified in the document. In response to a question, Ms Silva confirmed that the new format had been developed in consultation with the RACs.

35. Representatives reiterated the importance, in the budget preparatory process, for Contracting Parties to be informed of income and expenditure over the preceding biennium and any carry-over to the next biennium, including unpaid arrears. Following a discussion, and noting that the UN closed its accounts for any given year in March of the following year, the Bureau therefore requested that a detailed, quantified account report of expenditures be submitted to the Contracting Parties at the end of each biennium.

36. A discussion ensued on the proposal to phase the implementation of programme activities in a given year, to allot only 40 per cent of the yearly approved MTF budget and to revisit the allotment percentage at the end of June, in order to ensure strict oversight of expenditure in relation to actual income, and consequently to invite Contracting Parties to pay their annual contributions at the beginning of the year. Representatives acknowledged the need for regular monitoring and for allotments to match income, but urged flexibility in the application of that policy, notably in terms of deadlines for the payment of contributions, pointing out that domestic procedures might preclude such early payment, and also that, for certain types of project, funding guarantees were needed from the outset, whereas the first phases of the project were in many cases taken up with planning and preparation, while the bulk of funds for actual implementation was not disbursed until a later phase. The RAC Directors, in particular, would need guidance in that matter, which again raised the questions of the need for consultation and coordination with the RACs and the periodicity of reporting. The possibility of a revised, real-time reporting system in a standardized format was raised. Another question was whether, in the present circumstances, MAP could take on board projects that were already at an advanced stage of negotiation, such as the major EU ENRTP project. More clarity was needed on when exactly the monitoring exercise would take place, given, for example, the slow pace of UNEP procedures; on certain criteria, such as what level of contributions would trigger an increase or decrease in allotments; and on the "principle" of sharing a reduction in the implementation level equally between the Coordinating Unit and the components. On the latter question, the Bureau considered a proposal that there should be a prioritization of activities to be reduced in the event of a shortfall, agreed in advance, rather than an across-the-board reduction. A further suggestion was that the Coordinating Unit might endeavour to ascertain from past data whether there was a pattern of early or late payment of contributions as a basis for determining allotments.

37. Replying to questions and comments, Ms Katagai said that monitoring was the key issue. The proposed, perhaps ambitious, mechanism on phased allotment had been prepared with UNEP input. It was a contingency plan since, should 100 per cent of contributions be collected in the first quarter, the allotments would not need to be phased. The Secretariat was open to any suggestions for improvement. Ms Silva noted that MAP would be starting the next biennium with a deficit, which explained the need for strict monitoring and the somewhat precise mechanism that had been developed for phasing allotments to match actual income received. The Secretariat was, however, still on a learning curve, and the comments made at the current meeting, and in particular the requests for more flexibility, would be taken into account in the final proposals. Replying to a request for a strengthened mechanism to keep the MAP Focal Points and the Bureau informed of developments arising from the monitoring process, Ms Silva observed that regular updates on the payment of contributions were posted on the MAP website.

38. On the question of consultation with the RACs and existing reporting procedures, Ms Silva said that steps would be taken to ascertain from RACs their priorities for allotments in the first six months of the year. She recalled that RAC activities would be reflected in the new budget format. Regarding major projects in the pipeline, they would inevitably be affected if contributions were not received. Mr Salzmann added that it was QML funding that would be affected if the funds for extra budgetary projects were not actually in the bank. Regarding the MTF, the phased allotment proposal was based on an approach that recognized 40 or 50 per cent of yearly expected contributions as income as at 1 January, rather than 100 per cent of pledges, as in the past. In response to a question about the payment of staff salaries up to 31 December 2011, given the holding of the forthcoming Meeting of the Contracting Parties after the year's end, Mr Salzmann confirmed that such payment was assured.

39. In conclusion, the Bureau endorsed the phasing proposal, requesting the Secretariat to submit a proposal to that end, taking account of the Bureau's comments, for adoption by the Contracting Parties at their 17th Meeting.

40. Following introductory remarks by Ms Silva on arrears, and as reported in document UNEP/BUR/72/3, the Bureau noted with satisfaction the significant efforts made to recover arrears in contributions and invited Contracting Parties to pay their 2012-2013 contributions promptly, if possible at the beginning of the biennium, bearing in mind the budgetary procedures specific to each Contracting Party. Representatives noted that only one country was now still in arrears but, given the prevailing geopolitical circumstances in the country concerned, its contribution was unlikely to be forthcoming in the near future. That shortfall, and indeed any shortfall due to uncollected arrears should be reflected in the budget proposals. More broadly, the Bureau encouraged the Secretariat to develop a policy on bad debts, to be submitted to the Contracting Parties.

41. In reply to questions about whether arrears affected the deficit, Mr Salzmann recalled that, for the reasons given earlier in connection with the inter-fund borrowing mechanism, the collection of pledges in arrears did not reduce the MTF deficit, only the inter-fund balance.

42. Ms Silva said that the deficit in the CAL fund was the result of a misunderstanding over the USD and Euro amounts involved, as described in the document, and that Greece had always paid its assessed and voluntary contributions on time. The ongoing dialogue with the Government of Greece to restore the balance on that account was advancing well. In response to a comment, she said that the CAL deficit had no impact on the MTF because CAL funds supported administrative expenditure, in respect of which savings had already been made. The point was made that the amount involved was substantial and that a decision by the Contracting Parties on the situation would be needed, as follow-up to previous Contracting Party decisions on the subject.

43. The representatives of Greece, recalling the explanations given at the Bureau's Zagreb meeting as to how the misunderstanding and consequently the deficit had arisen, said that their Government had been working closely with the Secretariat towards a bilateral solution, which was expected in time for the Meeting of the Contracting Parties. A supplementary agreement to the 1982 agreement between the Coordinating Unit and UNEP would probably close the issue and would provide safeguards for the future. The Bureau welcomed the progress made in the ongoing discussions between the Secretariat and the Government of Greece concerning the host country agreement and the deficit in the CAL account, and looked forward to an early conclusion of the discussions, preferably before the next Meeting of the Contracting Parties.

44. Regarding resource mobilization, Ms Silva referred to several major projects consistent with programme priorities and described in document UNEP/BUR/72/3, paragraphs 3.3 and 3.4, which had been developed in cooperation with donors, mainly the EU, whom she thanked, and which were at an advanced stage of negotiation.

45. MAP was very interested in expanding its resources, particularly in the current financial context, and would welcome any ideas from the Bureau. As requested by the Contracting Parties, a new resource mobilization strategy was being developed. The strategy would be a corporate, balanced UNEP/MAP resource mobilization effort rather than an individual MAP component-driven approach.

46. In the ensuing discussion, representatives agreed that, in the current context, it was more than ever necessary to mobilize resources, and commended the Secretariat's efforts to that end. They stressed in particular the need for projects to be consistent with identified priorities in the programme of work and hence for information on all currently proposed and potential projects to be available for scrutiny. That could be provided for under the strategy, making it possible not only ensure their consistency with programme priorities but also to

ascertain whether they might more appropriately be funded from the MTF or from external sources. While they welcomed other organizations' interest in MAP, it should be borne in mind that donors might have other interests or a different agenda. With a high percentage of extra budgetary projects, there was a risk of drifting away from the programme of work towards satisfying donors' demands. It was suggested that the Secretariat might take a more proactive approach in negotiations with donors with a view to directing their choices towards more Mediterranean-friendly projects consistent with MAP and Convention objectives. However, resources being scarce, ingenious approaches were needed to secure partnerships that maintained the delicate balance between donor demands and beneficiary requirements. It was commented that, at the MAP level, the complex process of selecting projects would certainly require Contracting Parties' and RACs' involvement, but possibly also outside expertise. Another suggestion was that MAP, particularly in the context of its greater autonomy, should be taking more initiative in suggesting or presenting projects, for example regional projects on climate change adaptation, with UNEP playing a significant role in managing the funds for such projects. Another point made was that most projects currently on the table benefited eligible countries only; the new strategy should make provision for activities benefiting all Contracting Parties. Finally, representatives stressed the importance of RAC involvement in the new resource mobilization strategy, and the submission of the draft strategy to the Focal Points at their next meeting.

47. Replying to comments, Ms Silva confirmed that the draft strategy would be before the Focal Points at their forthcoming meeting, in the expectation that it would be launched immediately, and that the RACs had been associated with its preparation and would be further involved in its implementation. With regard to ensuring that the funds mobilized reflected programme priorities, optimum results could be achieved with some give-and-take between donors and MAP.

48. In conclusion, the Bureau acknowledged the resource mobilization efforts made by the Secretariat and requested that the draft resource mobilization strategy be submitted to the Focal Points at their next meeting in order to complement the Contracting Parties' decision on the budget.

Agenda item 5: Deficit recovery

49. Ms Silva recalled that the MTF deficit and the negative inter-fund borrowing balance stood respectively at USD 4.5 million and 5.4 million as at 31 December 2009, and presented the measures taken and proposed to recover the deficit, as described in document UNEP/BUR/72/4. As a result of the measures taken to correct over-budgeting for 2010-2011, namely a 14 per cent reduction in the level of expenditures, the collection of arrears, the reallocation of approximately USD 0.9 million from QML to the MTF, the allocation by UNEP of USD 1 million from the Special Account for PSC, cost-cutting measures resulting from the Functional Review, and further cuts in administrative costs, the budget deficit as at 31 December 2011 was estimated at USD 2 million, or up to USD 2.2 million depending on exchange rate fluctuations. The proposed principles guiding the recovery process, as described in paragraph 4 of document UNEP/BUR/72/4, were: solidarity, entailing minimum burden-sharing among all Contracting Parties and a 2.5 per cent increase in MTF pledges as approved in principle by the Contracting Parties at their 16th Meeting; minimum disruption of MAP's programme delivery capacity; and a reasonable time-frame, not exceeding four years.

50. She presented the three scenarios that had been developed for recovery of the remaining deficit: scenario 1, which corresponded to OIOS Audit Recommendation (4) and provided for immediate recovery through a one-off extraordinary contribution by Contracting Parties of USD 2 million; scenario 2, providing for a one-off extraordinary contribution by Contracting Parties of USD 1 million and recovery of the remaining deficit through savings

made by implementing the Functional Review of the Coordinating Unit and MED POL, over four years; and scenario 3, proposed by France, providing for recovery of the whole deficit through reductions in expenditure, with no extraordinary contribution by the Contracting Parties. Under scenarios 1 and 2, the basis for apportioning the one-off contributions by Contracting Parties was open to discussion; possible options being voluntary contributions, UN assessed rates, or other options such as a minimum fixed starting basis of, for instance, USD 10,000 or 15,000. Under scenario 3, the estimated reduction as compared with the 2010-2011 approved budget was 24 per cent, to be shared evenly among all MAP components.

51. The Bureau took note of the amount of the deficit in the MTF as at 31 December 2009 and commended the measures taken to recover it. Ms Silva confirmed that the announced 14 per cent reduction in the level of expenditures in the 2010-2011 budget did not need to be sanctioned by UNEP as an official budget revision, given MAP's managerial obligation to effect such adjustments and clear them in its books.

52. The President invited the Bureau to consider first the guiding principles. On the principle of solidarity, representatives noted that the assumption in the document and in Audit recommendation (4) was that solidarity applied only to Contracting Parties, whereas the Bureau had already expressed its reservations on that recommendation and consequently on any scenarios derived from it. The principle should therefore apply, rather, to all MAP components, but also to UNEP, which was requested to report on possibilities within its mandate, including the negotiability of the 13 per cent levy and of longer-term repayment of loans from other funds, and on the scope for further reallocations of expenditure to QML, considering other projects in the pipeline, and for financing from other trust funds administered by UNEP. With regard to the proposed 2.5 per cent increase in assessed contributions, representatives acknowledged their approval in principle of such an increase but observed that such approval had been given before the deficit issue had arisen. It was therefore generally agreed that any such increase should be deferred pending recovery of the deficit and the return to a sound financial situation. It was again stressed that matters pertaining to contributions and the budget must be dissociated from the deficit. There could be no discussion or decision about increased contributions until all the options for deficit recovery had been explored and savings clearly identified. Moreover, the 2.5 per cent increase concerned current pledges and should therefore also be dissociated from deficit recovery. Some representatives considered, however, that the possibility of such an increase should be left open until all scenarios had been examined. The suggestion of setting a minimum across-the-board contribution for a one-off payment prompted the comments that countries with a lower level of contribution would then be paying more than major contributors, that a signal might be expected from the major contributors as well, that any additional contributions might discourage voluntary contributions, and that any option taking account of assessed contributions must be based on the latest assessment rates decided by the UN General Assembly.

53. While it was acknowledged that, looking ahead to the forthcoming Meeting of the Contracting Parties, steps should be taken urgently to resolve the financial crisis, and that discussions at the current meeting should focus primarily on that issue, it was pointed out that it was difficult to discuss the principles in isolation and hence to take what amounted to political decisions in the absence of full disaggregated data, explanations and a debate about the specific amounts involved in the deficit, accountabilities and other as yet unresolved issues, including all the implications for programme delivery of the scenarios presented and possibly others to consider, and the burden ultimately to be borne by the Contracting Parties even under scenario 3, or without an in-depth debate on governance. A preliminary point made was that immediate responses were expected to a number of complex issues at the same time, namely recovering the deficit and enhancing MAP efficiency and effectiveness,

against a background of financial crisis affecting all the Contracting Parties. The majority view was that a step-by-step approach to resolving those issues was therefore required.

54. After an exchange of views on the proposed scenarios, a consensus emerged on scenario 3, with recovery of the remaining deficit over a period of four years, as the most realistic working basis. The longer timeframe would ease the financial burden on the MAP components and allow more time for all the conclusions to be drawn from in-depth discussions on management and governance, which would have a significant bearing on the direction taken, for a phased adjustment of the whole MAP system and for potential savings to be identified in consultation with all the parties involved. Given the 14 per cent reduction already made, the amount to be recovered would not be exorbitant and would not preclude voluntary funding. That comment prompted the remark that it was precisely the reason why there needed to be agreement on the exact final deficit figure. Even the projected EUR 180,000 annual savings resulting from spending cuts was only an estimate. The question of other possible scenarios was raised, and the Secretariat was asked to consider that question and to report thereon to the Focal Points at their forthcoming meeting, as well as on all the implications of scenario 3 as agreed, together with proposed accompanying measures.

55. Mr Candotti agreed that not all possible scenarios had been considered. Those before the Bureau assumed a status quo and did not envisage a root-and-branch review of the whole configuration of MAP's structure and operations for service delivery. The financial crisis marked the end of a phase in MAP's history and might be seen as a window of opportunity for returning to fundamentals and exploring other, more radical scenarios for the future. MAP could rely on UNEP's cooperation in such an endeavour. In considering any scenario, he advised against counting on additional income, which, were it to materialize, should be put aside as a strategic reserve, and advocated a drastic reduction in fixed costs, observing, however, that, once decided, there was no going back on such a radical reconfiguration because of the human and structural implications.

56. While some agreement was expressed with the observation that a crisis situation could provide the impetus for making difficult decisions, the President commented that Contracting Parties were well aware of the need for such strategic and governance changes, as could be seen from the Governance Paper approved at their Almeria meeting in 2008, and that steps had already been and were being taken, irrespective of the deficit, to give effect to that decision. Although governance and financial issues were interlinked, the prime concern now at hand was to recover the deficit and balance the budget, with the accompanying management measures.

57. Regarding the principle of minimum disruption of the programme of work, representatives expressed particular concern about any reductions in programme activities, commenting more generally that it was necessary to improve the ratio between administrative and programme costs, which was currently two-thirds to one-third throughout MAP, including the RACs. They expected that, with the prioritization of core activities in line with the programme of work and with further cuts in administrative costs, the impact on the programme of work should be kept to a minimum, although it was pointed out that some cuts in administrative expenses had already been made and that limiting factors were inflation and the need to maintain a critical mass of human resources. Hidden costs, such as outsourcing, should also be taken into account.

58. They agreed on the need for an in-depth review and evaluation of the RACs' functions and operations, to be conducted as soon as possible and certainly during the first year of the next biennium, but in the interim, savings could be identified and should be effected, in cooperation and consultation with the RACs. Coordination was crucial in that respect. Options on the modalities of such a review would be discussed under item 6. The importance of cutting administrative costs was stressed, but, rather than applying the same

percentage reduction to all the components, many spoke in favour of a differentiated, though balanced, approach based on a functional but also an operational review; their respective activities and relative impacts should be taken into account as well as their fixed costs.

59. The Bureau discussed the tables distributed during the meeting, providing data on the current working budget and on scenarios 3A (deficit recovery over four years) and scenario 3B (recovery over two years), together with supplementary information on posts funded by PSC, but considered that, though useful, they did not respond adequately to its requests for a clear distinction to be drawn between the approved budget and the budget after cuts, for detailed comparative figures and percentages for programme and administrative costs and for a breakdown of activities, recalling that a detailed account report was to be submitted on expenditures, covering inter alia the MTF, the PSC and staff costs, including consultants. On the basis of the suggestions made, it therefore requested the Secretariat to provide full information for consideration by the MAP Focal Points at their next meeting in order to enable the Contracting Parties to have all the facts to hand in determining the exact amount of the deficit still to be recovered and which were the core, priority activities to be preserved and which activities might be frozen, deferred or proposed for voluntary funding.

60. Mr Candotti, observing that he would be conveying the Bureau's instructions to the Executive Director of UNEP, summed up his understanding of the outcome of the discussions so far. The Contracting Parties were unable or unwilling to offset the deficit through an extraordinary contribution or a 2.5 per cent increase in contributions and had in principle agreed to proposed scenario 3, with deficit recovery over four years. However, several matters remained outstanding before a final decision could be taken, notably the need for a clear statement of expenditure and income, excluding any potential additional income, carried forward from one biennium to the next and therefore covering the past, the present and projections for the future, and also for the detailed breakdown requested. Drawing the distinction between deficit and debt, he stressed the importance of specifying a clear debt write-off policy or strategy for bad debts, and to ensure that from the next biennium there would be no further deficit that would turn deficit into debt.

61. He noted further that the Bureau had stressed the need for prioritization of activities, i.e. core and non-core elements, which would mean according top priority to vital, legally binding elements. Flexible modules could then be built around that core, funded through mobilization of external resources. On another issue, he advised that accompanying management measures should also be clearly specified for the guidance of the Secretariat, particularly with regard to staff recruitment, retrenchment, redistribution of tasks and the use of consultants. Also to be specified were such efficiency parameters as ratios and ceilings for fixed costs, notably staff and non-staff costs. In short, bearing in mind all the foregoing considerations, a clear statement of income and expenditure assumptions, together with accompanying measures, would form the basis for restoring trust and for re-creating the proper compact between the Secretariat and the Convention.

62. Regarding programme support costs, he pointed out, with further clarifications from Mr Salzmann, that they were charged not when they came in, as income, but as and when expenditure occurred. The 13 per cent levy determined by the UN General Assembly for administrative costs in order to maintain fiduciary standards was charged on expenditure generated by that income. In the case of the Barcelona Convention, UNEP was making a particular effort to cover MAP's administrative costs by funding eight staff posts out of the 13 per cent, thus de facto reinvesting the bulk of that charge in MAP's current expenditure, with only one-third retained by UNEP and UNON for services. The lower rate (4.5 per cent) charged to QML had been accorded in recognition of a negotiated agreement between UNEP and EU.

63. An exchange of views ensued on the possibility of reducing the 13 per cent levy, which representatives considered should be renegotiated. Questions were asked about the rules and mechanisms in place to prevent the accumulation of a deficit over a number of years. If the Contracting Parties took a decision to apply those rules and to ensure that the necessary resources were available to implement them, that would surely send a clear signal to UNEP, help build up the necessary trust for the future and possibly elicit further cooperation in reducing the debt. In response to those comments, Mr Candotti explained that there were rules, but until now no adequate system in place to apply them. Updating and clarifying the system-wide rules was a matter of ongoing concern to UNEP, seeking as it did to improve fiduciary standards. Should the Contracting Parties to the Barcelona Convention wish a review to be made of the administrative arrangements governing its action as administrator of the Convention, UNEP was willing to embark on negotiations to that end, as it had done successfully for other conventions. It was very well prepared and had models to propose. Such discussions might trigger a reduction in programme support costs. That proposal was welcomed by the Bureau, which requested that information in that regard should be provided to the Bureau at its next meeting.

Agenda item 6: Measures to enhance efficiency and effectiveness in implementing the programme of work and other governance matters

64. Mr El-Habr, Deputy Coordinator of MAP, drew attention to further measures taken to enhance efficiency and effectiveness in delivering the programme of work, as contained in document UNEP/BUR/72/3, beginning with the independent Functional Review of UNEP-administered MAP components (Coordinating Unit and MED POL). The Bureau also had before it the Functional Review findings and recommendations (document UNEP/BUR/72/Inf.4) and the ToRs of the Functional Review. It was added that implementation of the recommendations of the review complemented measures already undertaken in response to earlier mandates received from the Contracting Parties, notably in the Governance Paper, and to previous audit reports, before the deficit had come to light. The staffing changes made and proposed, which he outlined, would result in net savings of EUR 180,000 per year.

65. Measures to strengthen programmatic coherence included improvements in the planning process for the two-year programme of work, pursuant to Governance Paper and Executive Coordinating Committee (ECP) recommendations, following the five-year indicative programme of work and the six identified priority themes. The draft programme had been consulted twice by the components and included all RAC activities. A common template for host country agreements had been developed and sent out; some had yet to be returned. With regard to auditing, he referred to the OIOS Audit and its recommendations, adding that it was proposed that a cross-audit of the whole system should be undertaken in 2014. A new communication strategy built around the three pillars of unifying the system, mobilizing other actors and inspiring partners and stakeholders and based on an assessment submitted to the Rabat Bureau meeting would be presented to the Contracting Parties. A resource mobilization strategy was also been developed. Finally, other measures to optimize the use of available resources and cut costs in the Coordinating Unit and MED POL were being considered, notably in respect of procurement, travel, consultancy and the planning of meetings.

66. The Bureau commended the concrete measures taken to enhance efficiency and effectiveness in implementing the programme of work and the savings identified as a result. It considered that the Functional Review was an important and useful step in that direction. Several representatives observed, however, that some of the measures, particularly those concerning staff, had been taken in response to a situation of financial crisis and could be

revisited once MAP's financial health had been restored. Any staffing changes should moreover be handled with due regard for the human factor and with caution to avoid regrouping incompatible tasks. Another point made was that the changes under way should not affect the activities of the Mediterranean Commission for Sustainable Development (MCSD).

67. There was unanimous agreement on the need to conduct a similar review of the whole MAP system, as indeed recommended by the Functional Review report, in order to ensure that it has undergone a thorough evaluation and would be streamlined for greater cohesion and synergy, under the coordination of the Secretariat, although the modalities of such a review remained to be determined. By way of preliminary comment, the point was made that, irrespective of the deficit, governance decisions called for a review of RACs' operations, functions and structure. It was a question not of holding the RACs responsible for the deficit or of stigmatizing individuals, but of determining shortcomings in the mechanism and laying sound foundations for the future.

68. The specificity of the RACs, collectively in terms of their status within MAP and vis-à-vis their administering authorities, and individually in terms of their operations, including their structure and the priority programme areas they dealt with, must be taken into account. It was therefore considered necessary to develop the ToRs for such a review in consultation with the RACs, taking also into account elements relevant to the RACs that had been missing from the ToRs of the Functional Review carried out on the Coordinating Unit and MED POL. Care should be taken to ensure that savings from the exercise should benefit the MAP system as a whole, and that any gains arising from the functional review were not lost on outsourcing, consultancies and the like. The specific question of the upgrading of posts could be deferred until MAP's financial health had been restored.

69. The nature of the review and who would conduct it were discussed, with arguments for and against a formal review along the lines of the Functional Review already undertaken or a more informal and more decentralized review conducted by the RACs themselves and/or by the Coordinating Unit on the basis of information already available and further consultations. At the outcome of the discussion and following clarifications by Ms Silva, who pointed out that the Coordinating Unit did not have the expertise to carry out such an exercise, it was agreed that it should be an external review of a more formal nature, but adopting a differentiated approach to take account of each RAC's specificity. That raised the question of funds, which it was hoped could be raised through an appeal for voluntary funding. A further point made concerned the unique position of REMPEC, which, as an IMO-administered centre, would need the agreement of the administering authority for any institutional reform.

70. The question of the timing of the review prompted a number of comments. Ideally, such a review should not be conducted in haste but, given the urgency of the situation and the need for the Contracting Parties to have the facts to hand when discussing the budgetary implications, some representatives spoke in favour of an early start. In any event, a full review could not be conducted and produce its results before the forthcoming Meeting of the MAP Focal Points. After an exchange of views, the Bureau requested that provision be made for implementing the review during the first year of the next biennium.

71. On the subject of Host Country Agreements, representatives of countries hosting RACs took the floor to explain delays in the finalization of the agreements concerning their countries, assuring the Bureau that procedures were under way and, in most cases, near completion. The Bureau welcomed the progress made and encouraged the Contracting Parties concerned to finalize the agreements as soon as possible. Regarding the common template for the agreements, a suggestion that consideration could be given in the functional

review to new or more adaptive elements elicited the explanation that the Host Country Agreements were general framework agreements on RAC operations, with no details on management, and that they should not, therefore, be affected by the functional review.

72. Bureau also welcomed the progress and proposals made in the areas of planning and communication. The proposed new planning process should be a good basis for a project-oriented budget and programme of work. Advance planning was crucial to effecting savings, for example in respect of consultancies and other external contracts.

73. The President summarized the discussions held so far and stated that it is important to extend the Functional Review to the RACs, having in mind that they have different statutes and are not financed exclusively by MTF. For this reason, the Terms of Reference of the Functional Review should be different and they should be prepared in consultation with the RACs and presented and discussed at the coming Focal Point meeting. He stated that the results should be made available and be implemented by the end of 2012. Several delegates agreed on the importance of the timely implementation of the functional review for the RACs.

74. The Spanish representative presented the Spanish non-paper on MAP's governance, explaining that it is only for reflection purposes and does not constitute a formal position. He stressed the importance of reinforcing the Coordinating Unit's role on certain issues, since none of the centres can act on those alone. There may be implications in the internal structure of the Coordinating Unit, since currently it lacks the necessary resources to carry out the enhanced coordinating role. He referred to the areas of Ecosystems Approach, Sustainable Development, Resources Mobilization, as examples of where the role of the Coordinating Unit could be enhanced, so as to ensure better cooperation among the components and better coherence with the Programme of Work. He also stated that MEDPOL must have an enhanced role in the overall monitoring of the Ecosystems Approach from a technical point view.

75. The French delegate proceeded in presenting the French non-paper, stating that it is also for reflection purposes and that some reaction is to be expected as the proposal made is different from the current status quo. He acknowledged that MAP is a valuable tool that must function well and perform according to expectations, but in the context of the budget crisis, the need to look for maximum efficiency is imperative, as well as the need to maintain MAP's competitive advantage, especially in the context of competition that previously did not exist. He emphasized the need to improve in terms of the Parties' involvement in MAP's governance system. He explained that the underlying idea of Part 2 of the non-paper is to have a system of "management by objectives" based on the six areas of the Programme of Work. He suggested rethinking the Focal Points system and moving from RAC basis to a thematic area basis, with the aim to achieve cross-functional steering of the Coordinating Unit, by avoiding excessive centralization and reducing fragmentation. He explained that part 3 of the non-paper is about opening up more to the global context, it is linked with resource mobilization and MAP's capacity to attract funding from various sources and it includes relations with the EU, NGOs, the Union for the Mediterranean etc.

76. The President of the Bureau stated that the two proposals are not completely opposed, but the Spanish one is more based on the current structure while the French one involves more extensive institutional changes and welcomed the discussion on the two non-papers presented.

77. Several delegates took the floor and recognized the expression of good ideas in both non-papers and that best use of the two documents should be made. Some parties supported the key idea of the Spanish proposal to enhance the role of the Coordinating Unit. Concerns were expressed by some parties with regards to the restructuring of the MAP Focal Points, although it has been noted that the current structure does no longer correspond

with the revised and integrated Programme of Work. The need to involve the MAP Focal Points in the planning process from an early stage was acknowledged to be of utmost importance. The Greek representative was of the opinion that there is currently no need to make significant structural changes, but what is mostly required is to enhance the adherence to procedures and to improve the coordination with the RACs based on the Governance paper adopted in 2008.

78. The President of the Bureau summarized the discussions on the two non-papers, concluding that the conclusions will be very preliminary and that no consensus on an operational exit is obvious. He reminded that we have a recent Contracting Parties decision on governance that maintains the system as it is, saying that if improvements are necessary, it should be examined if these should be made under the current framework or by moving forward. In the latter, the French proposal would not be the only option but other options should be considered as well.

79. The roadmap on the follow-up on the two non-papers was discussed, and most parties agreed that the purpose of the Extended Bureau meeting was to discuss financial issues, and that more reflection and time will be needed. It has been suggested that the two non-papers are further discussed either at the next Bureau or the coming Focal Points meeting.

80. Ms. Silva, MAP's Coordinator acknowledged the usefulness of the discussion and the need to come up with a more efficient planning system. She referred to the progress achieved with regards to Ecosystems Approach, helped to a great extent by the European Union financial contribution. She agreed to the need of having greater involvement by the Parties in the governance process, and that a careful examination on the way that this could be done was required. She also emphasized the importance of opening up to external actors. She stated that the Secretariat will first aim to ensure implementation of the actions taken in the context of the Governance Paper adopted in Almeria, and then follow-up actions can be discussed with the Parties and agreed upon.

Agenda item 7: Conclusions and recommendations

81. The Bureau had before it draft conclusions and recommendations prepared by the Secretariat. In a concluding debate on the financial situation of MAP, representatives summed up earlier discussions and made further proposals. They recalled that the Bureau agreed in principle with scenario 3 as a working basis for deficit recovery, over four years, but that the full implications of such a scenario remained to be ascertained. There was agreement on a programme of work, but still insufficient transparency about how it would be funded in the current critical financial situation. Representatives had made it clear that Contracting Parties, being in no way responsible for the deficit, would not accept any extraordinary contribution to that effect, nor, in their vast majority, would they agree in the current context to any increase in their assessed contributions. Determining accountability for the deficit would be a key factor in that connection. Regret was expressed that the Audit findings had been delivered so late, and so close to the scheduled dates of statutory meetings, precluding a full debate and consultations on all the implications, particularly in terms of responsibilities. The Bureau agreed that a clear message should be sent out that the Contracting Parties considered UNEP to be responsible for having allowed the financial situation of MAP to degenerate, and that acceptance of scenario 3 did not imply acceptance of responsibility.

82. In order to be in a position to take a decision on the budget for the proposed programme of work, Contracting Parties needed to know the exact deficit figures, which were

still unclear. It was recalled that scenario 3 provided for a 24 per cent reduction in expenditures, but that that percentage was based on an estimated, not a final, deficit figure, and that one of the main objects of the discussion had been to reduce the percentage to the extent possible, including through additional resource mobilization, in order to alleviate the impact on programme activities and ultimately the burden on Contracting Parties since, if no other solution were found, they would inevitably be paying for the deficit, rather than for the programme of work, out of their contributions. Assessed contributions must be distinguished from contributions to deficit recovery. Acceptance of the solidarity principle of equal burden-sharing for deficit recovery among Contracting Parties depended very much on the financial position of individual countries vis-à-vis the Convention, and would translate into a very substantial share being paid for by the major contributors, specifically an 84 per cent burden shared by three Contracting Parties. Given the current state of the deficit as estimated, the Bureau member representing one of those Contracting Parties expressed strong reservations as to his Government's willingness to forfeit the corresponding amount to reimburse a deficit for which it was not responsible.

83. The Bureau appreciated the action already taken by UNEP to alleviate the deficit, but considered that it should be approached to explore the possibilities for an additional financial effort. It therefore welcomed UNEP's proposal to cooperate with the Contracting Parties in clarifying and updating the administrative arrangements governing its action as administrator of the Barcelona Convention and the offer made by the Executive Director of UNEP in his letter of 29 August 2011 to the President of the Bureau to pursue further dialogue towards a mutually satisfactory solution to the financial situation. It was additionally pointed out that Audit recommendation (4), rejected by the Bureau, had been addressed to UNEP, and that, in the absence of a formal request from UNEP to the Contracting Parties to comply with that recommendation, discussions remained open, as evidenced by UNEP's offer of further dialogue.

84. Following a further exchange of views, it was therefore agreed that (a) work should continue, for the purpose of preparing the budget and the programme of work, on developing the agreed scenario for deficit recovery and other possible options, taking account of all the additional information and accompanying measures requested, for submission to the MAP Focal Points at their forthcoming meeting; and that (b) in the meantime, in parallel, the proposals by the Executive Director of UNEP for further dialogue should be followed up and negotiations undertaken with a view to revising and updating MAP's compact with UNEP and seeking a mutually agreed solution to deficit recovery.

85. The working basis for such negotiations would be acknowledgement of UNEP's proposals for further dialogue, the Contracting Parties' refusal to increase ordinary contributions, the need for final deficit figures and mutual agreement on how to apportion the financial consequences of the present situation. Progress could be expected on both (a) and (b) before the next Meeting of the MAP Focal Points, and it was therefore hoped that, following further consultations and with more information to hand, the Contracting Parties would be in a position to show more flexibility in acceding to the demands made of them and to give the Secretariat more specific guidance on the way forward. The understanding was therefore that the draft programme of work and budget to be developed and submitted to the MAP Focal Points at their next meeting would be based on current assessed contributions and deficit recovery over a four-year period. Programme activities would be divided into two categories, priority and lesser priority, the difference between the two being the extent of the recovery plan for each year. Should the negotiations close before the next Meeting of the Contracting Parties, and according to their outcome, the Contracting Parties would be in a position to take a decision on the extent to which the programme of work would be implemented.

86. Some Parties suggested that the President of the Bureau would draft a letter to the Executive Director of UNEP along those lines, and circulate the draft to representatives.

87. Following amendments to the draft text, the Bureau adopted the conclusions and recommendations attached as Annex 2.

Agenda item 8: Closure of the meeting

88. After the customary exchange of courtesies, the President declared the meeting closed at 9.30 p.m. on Wednesday, 5 October 2011.

ANNEX I

LIST OF PARTICIPANTS

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ANNEX II

AGENDA

1. Opening of the meeting
2. Adoption of the Provisional Agenda and organization of work
3. Presentation of Audit report
4. Measures to improve fund management and enhance delivery of the Programme of Work
5. Mediterranean Trust – Fund (MTF) – Deficit Recovery
6. Conclusions and recommendations
7. Closure of the meeting

ANNEX III

Conclusions and Recommendations

1. General objectives

- 1.1 The Bureau stresses that the prime purpose of the current Meeting of the Extended Bureau is to conduct a collective analysis of the causes of the deterioration in the financial situation of UNEP/MAP and to identify the measures to be taken to recover the deficit while minimizing negative effects on the implementation of the Programme of Work, and emphasizes the need also to enhance MAP governance as part of this exercise.

2. Presentation of the Audit Report by UNEP

- 2.1 The Bureau takes note of the presentation of the Audit Report and acknowledges that it was not intended as the recipient of the Audit report; nor were the recommendations addressed to the Contracting Parties. The Bureau expresses concerns, since the Report does not adequately explain the reasons for the deterioration in the financial situation and the corresponding responsibilities.
- 2.2 The Bureau concludes that the Contracting Parties bear no responsibility in the generation of this deficit and rejects Recommendation 4, which was unduly included in the report. Nevertheless, the Bureau welcomes the offer made by the Executive Director of UNEP to pursue further dialogue in order to find a mutually satisfactory solution for deficit recovery.
- 2.3 The Bureau acknowledges the relevance of the recommendations 3 and 6 of the Audit report and urges UNEP to determine individual responsibilities behind the inaccuracy of budget proposals and the creation of inappropriate allotments, and to report to the Contracting Parties at their 17th Meeting.

3. Measures to improve fund management and enhance the Programme of Work

- 3.1 The Bureau, following the recommendations of the 71st Meeting of the Bureau held in Zagreb, welcomes the immediate action taken by the Secretariat to stabilize the deficit by adjusting expenditures to income. It welcomes the new budget format presented by the Secretariat, requesting that this format be the basis for the submission of the 2012-2013 budget to the 17th Meeting of the Contracting Parties. The Bureau considers this new format to be an appropriate working tool conducive to reducing shortcomings in budgeting and improving the readability of budget documents. The Bureau agrees that capacity-building and technical assistance activities should be specifically identified in this document and asks the Secretariat to act accordingly.
- 3.2 The Bureau requests that a detailed account report of expenditures, with actual figures, be submitted to the Contracting Parties at the end of each biennium.

- 3.3 The Bureau endorses the Secretariats' proposal to sequence the implementation of activities under the Programme of Work in order to introduce strict oversight of expenditure in relation to actual income, and to make a proposal for adoption by the Meeting of the Contracting Parties.
- 3.4 The Bureau notes with satisfaction, and thanks the Secretariat for the significant efforts made to recover arrears, amounting to 410,355 euros, and invites the Contracting Parties to pay their 2012-2013 contributions promptly, if possible at the beginning of a biennium. The Bureau notes, however, with regard to the payment of contributions by Contracting Parties, that account should be taken of the budgetary procedures specific to each Contracting Party. It also encourages the Secretariat to develop a policy on bad debts, to be submitted to the Contracting Parties at their next Meeting.
- 3.5 The Bureau acknowledges the resource mobilization efforts made by the Secretariat and requests that the draft resource mobilization strategy be submitted to the Focal Points at their next meeting in order to complement the Contracting Parties' decision on the budget.
- 3.6 The Bureau acknowledges UNEP's proposal to cooperate with the Contracting Parties in clarifying and updating the administrative arrangements governing its action as administrator of the Barcelona Convention and requests that information be provided in this regard at the next Bureau meeting.
- 3.7 The Bureau welcomes the progress made in the ongoing discussions between the Secretariat and the Government of Greece concerning the host country contribution and the deficit in the CAL account and urges that this discussion be concluded, preferably before the next Meeting of the MAP Focal Points.

4. MAP Deficit Recovery

- 4.1 The Bureau takes note of the amount of the deficit in the Mediterranean Trust Fund (MTF) which at 31 December 2009 stood at USD 4.5 million. It thanks the Secretariat for having taken appropriate measures to recover this deficit, including collection of arrears and the proposal to reallocate approximately USD 0,9 million in expenditure incurred in the MTF to the extra-budgetary fund (QML) receiving European Union contributions. This proposed transfer of expenditure will improve the position of the MTF by slightly over USD 1 million, taking account of Programme Support Costs. The Bureau further notes the UNEP grant contribution of USD 1 million and the savings from additional cost reductions during this biennium, and that, following the implementation of these measures, the amount of the deficit is estimated at between USD 2 and 2.2 million by the end of 2011.
- 4.2 The Bureau requests the Secretariat to develop the draft Programme of Work and budget for the next biennium to be submitted at the next Meeting of MAP Focal Points on the basis of current assessed contributions and deficit recovery over a four-year period.

5. Measures to enhance efficiency and effectiveness in implementing the Programme of Work

- 5.1 The Bureau thanks the Secretariat for the measures taken to enhance effectiveness and efficiency in the implementation of the Programme of Work, and, notes with satisfaction progress and suggestions in the areas of communication and planning.
- 5.2 The Bureau considers that the Functional Review is important and useful, that, once approved by the meeting of Focal Points and by the COP, it should be implemented in a timely manner and that it should be extended to the whole system. However, it acknowledges that the Regional Activity Centres (RACs) are different and should therefore be consulted in the preparation of the Terms of Reference (TORs) for a functional review to be discussed at the next Meeting of the MAP Focal Points, taking also into account elements missing from the Functional Review already undertaken. The Bureau requests in this connection that provision should be made to ensure that the review is implemented during the first year of the next biennium.
- 5.3 The Bureau welcomes the progress made by the Contracting Parties in putting in place Host Country Agreements for the RACs in accordance with the Governance Paper (decision adopted by the 15th Meeting of the Contracting Parties in Almeria) and the Rabat Bureau decision and encourages them to finalize these agreements as soon as possible.
- 5.4 The Bureau took note with appreciation of the two non-papers presented by Spain and France and found both made interesting contributions to the discussions on MAP's governance system within the overall context of the governance decision adopted by the Contracting Parties in Almeria (2008). The Bureau welcomed the offer of Spain to prepare a summary of its presentation for the next MAP Focal Points meeting. The next meeting of the bureau will consider the priorities for the next biennium and in particular how to ensure that the activities related to the ecosystem approach will be implemented.