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79th Meeting of the Bureau of the Contracting Parties to the
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and the Coastal Region of the Mediterranean and its Protocols

Antalya, Turkey, 3-4 February 2015

Agenda item 4: Update on Financial Situation

Report by the Secretariat on Financial and Administrative Issues

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1. FINANCIAL SITUATION AND PROPOSALS FOR 2014

Deficit Recovery

1. As reported at COP 18, the MTF recovered from the deficit in 2012 and its fund balance continued to be positive through 2013 and 2014. The fund balance improved from a positive USD 1.2 million as at 31 December 2012 to USD 2.5 million and USD 5.3 million as at 31 December 2013 and 2014 respectively. The figure for 2014 is not final and subject to change upon closure of accounts by UNEP/HQs. The large amount of positive fund balance is mainly due to the fact that some activities by the RACs have been delayed while waiting for the payment of contributions. The inter-fund balance (cash flow) also improved from a negative USD 2.5 million as at 31 December 2012 to a negative USD 1.2 million as at 31 December 2013. The figure of 2014 is not yet communicated by the UNEP/HQs.
2. Deficit recovery of the host country contribution (CAL) has been progressing as approved by COP 17 and the full recovery is expected to be achieved by 2019. The fund balance improved from negative USD 549,000 as at 31 December 2011 to USD 481,000, and USD 382,966 as at 31 December 2012 and 2013 respectively. The projected CAL fund balance in 2014 is a negative USD 277,000, which shows a substantial improvement in the fund balance. However, it is not due to the planned recovery but the late receipt of part of the contribution in December 2014, and therefore, funds remained in the account without being expended. One last payment of USD 65,000 for 2014 by the Host Country is expected to be received in the near future.

Income as at 31 December 2014

3. Seven Contracting Parties (Albania, Croatia, Cyprus, EU, France, Israel and Monaco) paid their contributions within the first quarter of 2014 as requested in the Financial Regulations and Rules and Procedures adopted at COP 18 (Decision IG.21/15). The collection rate reached 78% and 98% in August and December 2014 respectively, which is a much higher rate compared to the same months in 2013 (62.2% as of August 2013 and 81.8% as of December 2014 respectively). The status of contributions as of 31 December 2014 is in Annex I.
4. In order to cover the salary and operating costs at the beginning of 2015, 20% of the 2014 income received has been put aside without having been allotted. This will cover 2.5 months equivalent of salary and operating costs of the MAP system. It is of utmost importance that the 2015 contributions are received in the first quarter of 2015 in order to implement the Programme of Work and cover the salary and operating costs without disruption.

Payment of Arrears

5. As of 31 December 2015, three countries had arrears over 24 months, namely: Lebanon, Libya and Syria. The Secretariat has been in close contact with Lebanon and Libya.

Implication of Umoja Implementation

6. The Umoja implementation, a new central administrative system at the UN, is ongoing. The full move to the new system, originally scheduled in November 2014, has been postponed to May 2015. The data transition from the current system to the Umoja database is progressing well in line with the new time schedule. There will be a black-out period of two weeks to one month in May/June 2015 and during the time issuance of contracts/payments cannot be processed. The

RACs have been alerted of the risks and the budget revisions/cash advances processing will be scheduled before May in order to minimize the operational interruptions.

7. As explained at the 78th Meeting of the Bureau (Istanbul, 3-4 September 2014), Umoja requires that all expenditures are supported by valid income, as the system will reject payment requests where there is no supporting cash. Current practice of inter-fund borrowing among UNEP funds will be terminated, eliminating the option of temporary borrowing from other UNEP accounts to ease the cash flow in anticipation of receipt of contributions.
8. The Umoja implementation will have consequence on the CAL fund cash flow since the fund remains in negative until 2019. Consultations with UNEP/HQs are ongoing to find a solution to this situation, which will be communicated to the next meeting of the Bureau.

Invoicing for 2015

9. As reported to the 78th Meeting of the Bureau, in accordance with the UNEP Financial Regulations and Rules and Procedures (Decision IG.21/15), invoices for 2015 were dispatched by UNEP Headquarters before 15 October 2014 and the Contracting Parties were urged to make their payment within the first quarter of 2015. Invoices for 2015 reflect a move from the previous MAP scale of assessment half way towards a scale of assessment agreed by the UN General Assembly in 2012, as in the operational clause 5 of the COP 18 decision on the Programme of Work and Budget (Decision IG.21/17). Albania has already paid its 2015 contribution upon receipt of the invoice.
10. The Secretariat has been following up with the Parties which are in arrears for 2014 and prior years' pledges, i.e. Lebanon, Libya, and Syria, in spite of the difficulties in reaching out to the last two. With regards to Lebanon and Libya, letters urging payment were dispatched in January, February, July and September 2014.

Expenditures

11. As of 31 December 2014, 98% of the 2014 assessed MEL contributions and 100% of 2014 EU discretionary contribution were received, out of which overall 71% has been spent from the former and 98% from the latter.
12. The Secretariat will continue exercising caution in committing funds in 2015 by closely monitoring the cash flow. The recruitment of three of the four vacant posts approved by the COP 18 decision (Operational clause 11 of IG.21/17) has been delayed due to the 2015 projected cash flow constraints. More details of the status of the recruitment are presented in section 3, Personnel Matters, of this document.

Working Capital Reserve

13. Paragraph 7 of COP 18 decision on the Programme of Work and Budget (Decision IG.21/17), requests to "establish a working capital reserve at the level of 15 percent of the annual expenditures (EUR 831,000) by 2015, phasing the transfer to the reserve as EUR 416,000 in 2014 and EUR 415,000 in 2015". Paragraph 2 of Procedure 3 of the Financial Regulations and Rules and Procedures (Decision IG.21/15) stipulates on the use of the working capital reserve and the procedure of withdrawals from the reserve.
14. A working capital reserve was established in July 2014. Since then funds have been transferred in proportion to the income received in MEL. By the end of 2014, EUR 406,500 were transferred to

the reserve, i.e. 98% of the planned transfer of EUR 416,000 in 2014 and 49% of the total amount of EUR 831,000 to be transferred by the end of 2015.

Contribution Tables and Interim Expenditure Reports

15. In implementing the operational clause 13 of IG.21/19, updated contribution tables have been uploaded onto the UNEP/MAP website. With regards to the interim expenditure reports requested in the same clause, they will be uploaded half-yearly onto the same website aligning it to the reporting cycle of the RACs in order to have actual expenditures reflected in the reports, as contained in Annex II “Interim Expenditure Tables”.

Draft Recommendations:

- **The Bureau notes with concern once again the continued negative impact that delays in the payment of contributions are having on the implementation of MAP’s Programme of Work and requests the Contracting Parties to pay their 2015 annual contributions in the first quarter of 2015 and arrears as soon as possible.**
- **The Bureau welcomes the progress of the fund transfer to the Working Capital Reserve and requests the Secretariat to continue exercising maximum caution in disbursing funds in order not to incur any over-expenditure.**

2. CONSULTANCY REPORTING

16. With regards to consultancies, the hiring of consultants funded by the MTF/EU Discretionary funding continues to be minimized. It remained at a low level of 17% of expenditures throughout 2014 as shown in the summary consultancy table (Annex III).

3. PERSONNEL MATTERS

17. The status of the staff recruitment is summarized below:

P5 Deputy Coordinator (Post No MEL-2322-2K62-2664-1102): the incumbent of the post, Mr. Habib El-Habr, is retained on the position. UNEP Headquarters will reimburse the cost difference between the budgeted P5 and the actual D1 salary.

P3 Programme Officer (MEDPOL, Monitoring) (Post No: MEL-2322-2K81-2664-1102): the post was advertised in the UN recruitment system INSPIRA for 60 days with a deadline for applications of 3 November 2014. A short list was prepared for interviews and selection.

P3 Legal Officer (Post No: MEL-2322-2K62-2664-1120): the agreement signed with the Government of France, through which Mr. Didier Guiffault (French national) has been seconded for three years at no cost to the Secretariat has been extended for one year effective 1 June 2014. The post of Legal Officer, P.3, is to be filled in 2015 and the recruitment process is to be initiated shortly.

P3 Pollution Officer (Post No: MEL-2322-2K62-2664-1105): COP 18 gave its approval for the post of Information Officer, P.3 to be reclassified as Pollution Officer at the same level. Classification is underway.

P3 Socio-economic Activities/Sustainable Development Officer (Post No: MEL-2322-2K62-2664-1107): COP 18 gave its approval for the post of WHO Programme Officer, P.5, to be reclassified as Socio-economic Activities/Sustainable Development Officer at P.3 level. Classification is underway.

G5 Programme Assistant (Governance) (Post No: MEL-2322-2F91-2664-1306): The post is to be advertised in INSPIRA shortly.

18. The above positions will be filled based on funds availability in 2015. In addition, the Secretariat is seeking to secure necessary human resources also through the Junior Professional Officers Programme (JPO) and non-reimbursable loan of experts scheme.

Draft recommendation:

- **The Bureau takes note of the status of recruitment at the Coordinating Unit and encourages Contracting Parties who may be able to do so to contribute human resources through JPO and non-reimbursable loan of experts schemes.**

Annex I
Status of 2014 contributions as at 31/12/2014

Status of 2014 contributions as at 31/12/2014

Country	Unpaid Pledges for 2013 and Prior years	Pledges for 2014	Collections for 2014	Unpaid Pledges for 2014
	EUR	EUR	EUR	EUR
Albania	0	3,877	3,877	0
Algeria	0	58,163	58,163	0
Bosnia & Herzegovina	0	16,619	16,619	0
Croatia	0	53,730	53,730	0
Cyprus	0	7,755	7,755	0
Egypt	0	27,143	27,143	0
European Union	0	138,483	138,483	0
France	0	2,103,262	2,103,262	0
Greece	0	155,653	155,653	0
Israel	0	81,427	81,427	0
Italy	0	1,737,670	1,737,670	0
Lebanon	4,068	3,877	0	3,877
Libya	276,442	109,124	0	109,124
Malta	0	3,877	3,877	0
Monaco	0	3,877	3,877	0
Montenegro	0	1,294	1,294	0
Morocco	0	15,511	15,427	84
Slovenia	0	37,113	37,113	0
Spain	0	830,337	830,337	0
Syrian Arab Republic	45,935	15,511	0	15,511
Tunisia	0	11,632	11,632	0
Turkey	0	124,634	124,634	0
T O T A L	326,446	5,540,569	5,411,973	128,596

Additional Contributions for information only

	Expected contribution	Received contribution
European commission	598,569	598,569

	Deficit in CAL account 31/12/2013	Expected contribution	Received contribution
Greece	277,650	306,800	244,500

Annex II
Interim Expenditure Tables

1. Overview of Income and Expenditures (as at 31 December 2014)

<i>A. Income</i>	<i>Approved 2014</i>	<i>Approved 2015</i>	<i>Total 2014-2015</i>	<i>Actual 2014</i>	<i>Actual 2015</i>	<i>Actual 2014-2015</i>
<i>Expected Ordinary Income</i>						
MTF Ordinary Contributions	5,540,571	5,540,571	11,081,142	5,411,973	0	5,411,973
EU Voluntary Contributions	598,569	598,569	1,197,138	598,569	0	598,569
Greek Host Government Contribution	306,800	306,800	613,600	244,500	0	244,500
<i>TOTAL of Expected Ordinary Income</i>	6,445,940	6,445,940	12,891,880	6,255,042	0	6,255,042
<i>B. Commitments</i>	<i>Approved 2014</i>	<i>Approved 2015</i>	<i>Total 2014-2015</i>	<i>Actual 2014</i>	<i>Actual 2015</i>	<i>Actual 2014-2015</i>
Activities	1,529,686	1,629,024	3,158,710	501,969	0	501,969
Activities under Pooled Funding	0	0	0	0	0	0
<i>Total Activities</i>	1,529,686	1,629,024	3,158,710	501,969	0	501,969
Posts and Other Administrative Costs	3,590,272	3,513,078	7,103,350	2,959,570	0	2,959,570
REMPEC transition costs	227,000	226,000	453,000	194,056	0	194,056
Programme Support Costs	625,457	605,313	1,230,770	363,496	0	363,496
<i>TOTAL Regular Commitments</i>	5,972,415	5,973,415	11,945,830	4,019,091	0	4,019,091
<i>Provision for Working Capital Reserve (incl. PSC)</i>	416,000	415,000	831,000	406,432	0	406,432
<i>Amount used for opening 2015 budget</i>	0	0	0	844,809	0	844,809
<i>Grand Total</i>	6,388,415	6,388,415	12,776,830	5,270,332	0	5,270,332

Difference between Income and Commitments (MTF)	0	0	0
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Difference between Income and Commitments (CAL)	57,525	57,525	115,050
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2. Summary of Activities and Administrative Costs by Component (Regular Commitments - MTF/EU discr.)

(in €)	Approved Budget			Actual expenses (as at December 2014)		
	2014	2015	Total 2014-2015	2014	2015	Total 2014-2015
SECRETARIAT						
TOTAL ACTIVITIES	895,255	1,004,542	1,899,797	329,307	0	329,307
POSTS AND OTHER ADMINISTRATIVE COSTS	1,281,515	1,497,211	2,778,726	983,969	0	983,969
TOTAL	2,176,770	2,501,753	4,678,523	1,313,276	0	1,313,276
REGIONAL MARINE POLLUTION EMERGENCY RESPONSE CENTRE (REMPEC)						
TOTAL ACTIVITIES	78,075	68,002	146,077	0	0	0
ADMINISTRATIVE SUPPORT	829,012	735,785	1,564,797	692,859	0	692,859
TOTAL	907,087	803,787	1,710,874	692,859	0	692,859
BLUE PLAN REGIONAL ACTIVITY CENTRE (BP/RAC)						
TOTAL ACTIVITIES	115,875	137,662	253,537	72,182	0	72,182
ADMINISTRATIVE SUPPORT	504,426	428,762	933,188	466,937	0	466,937
TOTAL	620,301	566,424	1,186,725	539,119	0	539,119
PRIORITY ACTIONS PROGRAMME REGIONAL ACTIVITY CENTRE (PAP/RAC)						
TOTAL ACTIVITIES	167,000	132,600	299,600	12,898	0	12,898
ADMINISTRATIVE SUPPORT	482,557	415,064	897,621	450,933	0	450,933
TOTAL	649,557	547,664	1,197,221	463,831	0	463,831
SPECIALLY PROTECTED AREAS REGIONAL ACTIVITY CENTRE (SPA/RAC)						
TOTAL ACTIVITIES	233,481	230,492	463,973	87,582	0	87,582
ADMINISTRATIVE SUPPORT	385,487	327,664	713,151	325,148	0	325,148
TOTAL	618,968	558,156	1,177,124	412,730	0	412,730
INFO/RAC						
TOTAL ACTIVITIES	40,000	55,724	95,724	0	0	0
ADMINISTRATIVE SUPPORT	35,000	35,317	70,317	0	0	0
TOTAL	75,000	91,041	166,041	0	0	0

SUST.CONSUMPTION AND PROD. REGIONAL ACTIVITY
CENTRE (SCP/RAC)

TOTAL ACTIVITIES	0	2	2	0	0	0
ADMINISTRATIVE SUPPORT	50,000	50,000	100,000	45,329	0	45,329
TOTAL	50,000	50,002	100,002	45,329	0	45,329
ACTIVITIES UNDER POOLED FUNDING	0	0	0	0	0	0
PROGRAMME SUPPORT COSTS	625,457	605,313	1,230,770	363,496	0	363,496
GRAND TOTAL	5,723,140	5,724,140	11,447,280	3,830,640	0	3,830,640

3. STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVE AND FUND BALANCE (MTF) FOR THE YEARS 2009-2013
(IN USD)

	2009	2010	2011	2012	2013	2014 (interim)
INCOME						
Counterpart contributions	7,085,127	7,065,190	7,610,153	7,388,394	7,045,184	6,448,551
Miscellaneous income		1,347	26,448		47,827	
TOTAL INCOME	7,085,127	7,066,537	7,636,601	7,388,394	7,093,011	6,448,551
EXPENDITURE						
Direct Expenditures	11,116,028	5,290,188	7,631,990	4,125,914	5,173,251	4,449,897
Programme Support Costs	1,478,336	672,880	236,228	389,650	573,413	376,984
TOTAL EXPENDITURE	12,594,364	5,963,068	7,868,218	4,515,564	5,746,664	4,826,881
Prior period adjustment	0	0	945,806	53,665	(181)	1,135,892
EXCESS OF INCOME OVER EXPENDITURE	(5,509,237)	1,103,469	714,189	2,926,495	1,346,166	2,757,562
Transfers from Other Funds	0	1,013,191	0	0	0	0
FUND BALANCE AT THE BEGINNING OF PERIOD	1,001,425	(4,507,812)	(2,391,152)	(1,676,963)	1,249,532	2,595,698
FUND BALANCE AT THE END OF PERIOD	(4,507,812)	(2,391,152)	(1,676,963)	1,249,532	2,595,698	5,353,260

4. MTF fund balance adjusted for uncollected contributions (projection 2012-2017)

<i>in millions EUR</i>	<i>Actual 2012-2013</i>	<i>2014-2015 estimate</i>	<i>2016-2017 estimate</i>
<i>MTF fund balance brought forward</i>	-1.3	1.9	2.2
<i>Income</i>			
Ordinary contributions excluding PSC	9.8	9.3	9.3
PSC	1.3	1.2	1.2
<i>Total Income</i>	11.1	10.6	10.6
<i>Expenditures</i>			
Expenditures	7.9	9.8	10.6
<i>Total Expenditures</i>	7.9	9.8	10.6
<i>Difference between Income and Expenditures</i>	3.2	0.8	0.0
<i>Other items</i>			
Adjustment for uncollected pledges 2014		-0.1	
Adjustment for uncollected pledges up to 2013		-0.3	
<i>MTF fund balance carried forward</i>	1.9	2.2	2.2
<i>of which Working Capital Reserve</i>		0.8	0.8

Note: The official currency of the UN is the USD. The MTF fund balance projection in EUR is an estimation based on various assumptions. The final figures may be different subject to exchange rate fluctuations.

Annex III
Table of Consultancy Costs

Consultancy costs 2014 (in EUR)				
Component	Description	Jan to June	July to Dec	Total
C.Unit	Med Trust Fund/EU Discretionary	51,965	50,570	102,535
	Other funding	138,482	0	138,482
	Sub-total	190,447	50,570	241,017
MEDPOL	Med Trust Fund/EU Discretionary	0	0	0
	Other funding	240,058	98,933	338,991
	Sub-total	240,058	98,933	338,991
BP	Med Trust Fund/EU Discretionary	0	58,200	58,200
	Other funding	325,553	574,999	900,552
	Sub-total	325,553	633,199	958,752
PAP	Med Trust Fund/EU Discretionary	103,000	50,000	153,000
	Other funding	67,047	38,732	105,779
	Sub-total	170,047	88,732	258,779
REMPEC	Med Trust Fund/EU Discretionary	0	12,031	12,031
	Other funding	0	39,500	39,500
	Sub-total	0	51,531	51,531
SPA	Med Trust Fund/EU Discretionary	12,000	10,740	22,740
	Other funding	51,300	18,627	69,927
	Sub-total	63,300	29,367	92,667
SCP	Med Trust Fund/EU Discretionary	0	7,742	7,742
	Other funding	117,000	8,000	125,000
	Sub-total	117,000	15,742	132,742
Total	Med Trust Fund/EU Discretionary	166,965	189,283	356,248
	Other funding	939,441	778,790	1,718,231
	Grand Total (in EUR)	1,106,406	968,073	2,074,479
	Percentage MTF/EU over total	15.09	19.55	17.17

*July 2014 UN exchange rate of 0.736 and December 2014 UN exchange rate applied for the contracts in USD value for Jan to May and June to Dec consultancies respectively

**Under the "Med Trust Fund/EU Discretionary" of the C. Unit, Jan to May, EUR 51,965 for translations for the Bureau/MCSD/ECAP/Compliance is included, and for July to Dec EUR 43,570 for the Mid-Term Strategic Workplan Evaluators is included

***Vendors and Implementing Partners are included under some Components

***Under the CU in Jan to June 2014, EUR 51,965 for translations for the Bureau/MCSD/ECAP/Compliance committed