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MEDITERRANEAN ACTION PLAN

Eighth Ordinary Meeting of the Contracting
Parties to the Convention for the Protection
of the Mediterranean Sea against Pollution,
and its related Protocols

Antalya, Turkey, 12-15 October 1993

**UPDATED REPORT ON THE IMPACT OF INFLATION
AND EXCHANGE RATE FLUCTUATIONS ON THE
MEDITERRANEAN ACTION PLAN BUDGET**

INTRODUCTION

In July 1991 a report was prepared by the Financial Experts on the impact of inflation rates and exchange rate fluctuations on the MAP budget.

The said report, inter alia, established a general formula for accurate reflection of inflation and currency fluctuations in the current, as well as in future budget proposals.

The last joint meeting of the Scientific and Technical Committee and the Socio-Economic Committee of the Mediterranean Action Plan (Athens 6-10 May 1993) decided that a similar exercise should be undertaken to reflect the above-mentioned impact on the current 1992-1993 budget, as a forecast for the proposed 1994-1995 biennium.

During the last two years, the world went through significant economic, political and social changes. Several aspects of global society were deeply affected, sectors of economy and finance not least. High inflation rates and constant currency fluctuations, had disturbing effects on most international, public and private institutions. International organizations, operating on foreign currency budgets, were particularly vulnerable to these trends.

The Mediterranean Action Plan, being one such organization, is exposed to the same trends. Its Co-ordinating Unit in Athens and the five Centres in the region have each, separately and differently, experienced the impact of general developments and country-specific fluctuations on their budgets.

It will be noted from the following study that cost increases are resulting not only from adjustments, partly foreseeable in administrative components (annual increments, promotions, ...) but from highly unpredictable global and local trends.

In order to facilitate a fair comparison, the present report follows the methodology and presentation of the 1991 document.

As previously, the budget under study is divided into six major components:

- Intergovernmental Meetings
- Technical Meetings/Training and Fellowships
- Personnel and Operational Support
- Consultants
- Procurement of Equipment for Mediterranean Institutes
- Sub-contracts

Each component is analyzed separately. The budget breakdown appears in Column 1 of the tables, the approved budget for the 1992-1993 cycle in Column 2, the increase/decrease percentage for each item, as a result of currency fluctuation and/or inflation is shown in Column 3, and the resulting required adjustments in Column 4. At the bottom of each table an unweighted average is given, indicating the general trend but, needless to say, not always providing the full picture, as the lower increases under certain budget items have considerable effect in relation to higher increase items, resulting, at times, in an underestimation of the overall sector allocation. The three charts at the beginning of the report provide general MAP budget components, comparative proportions, and proportional increases compared to 1990-1991 budget.

N.B. Due to the round-ups the totals may not add.

● CHART I ●

MAP Approved Budget Components 1992 - 1993 compared to 1990 - 1991

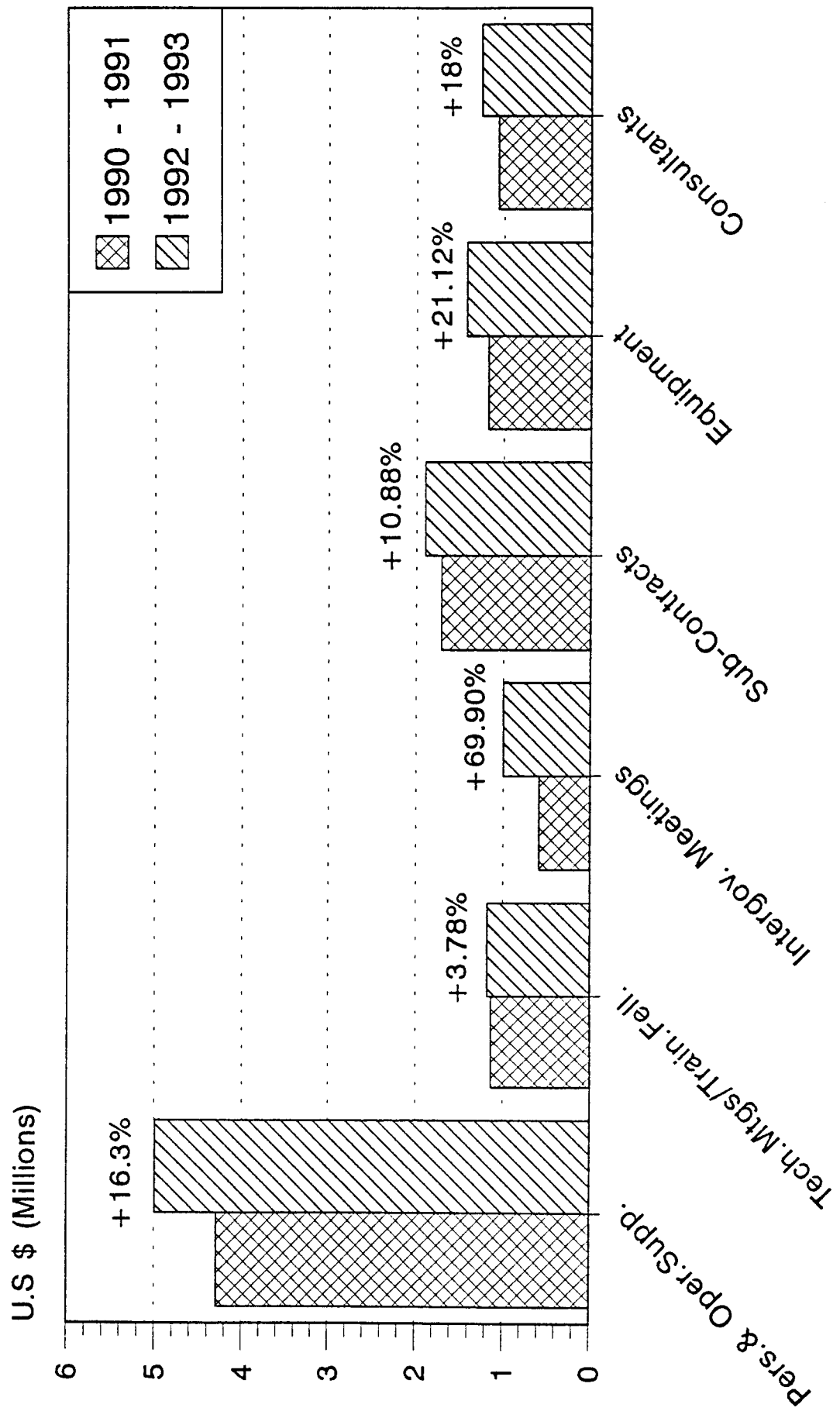
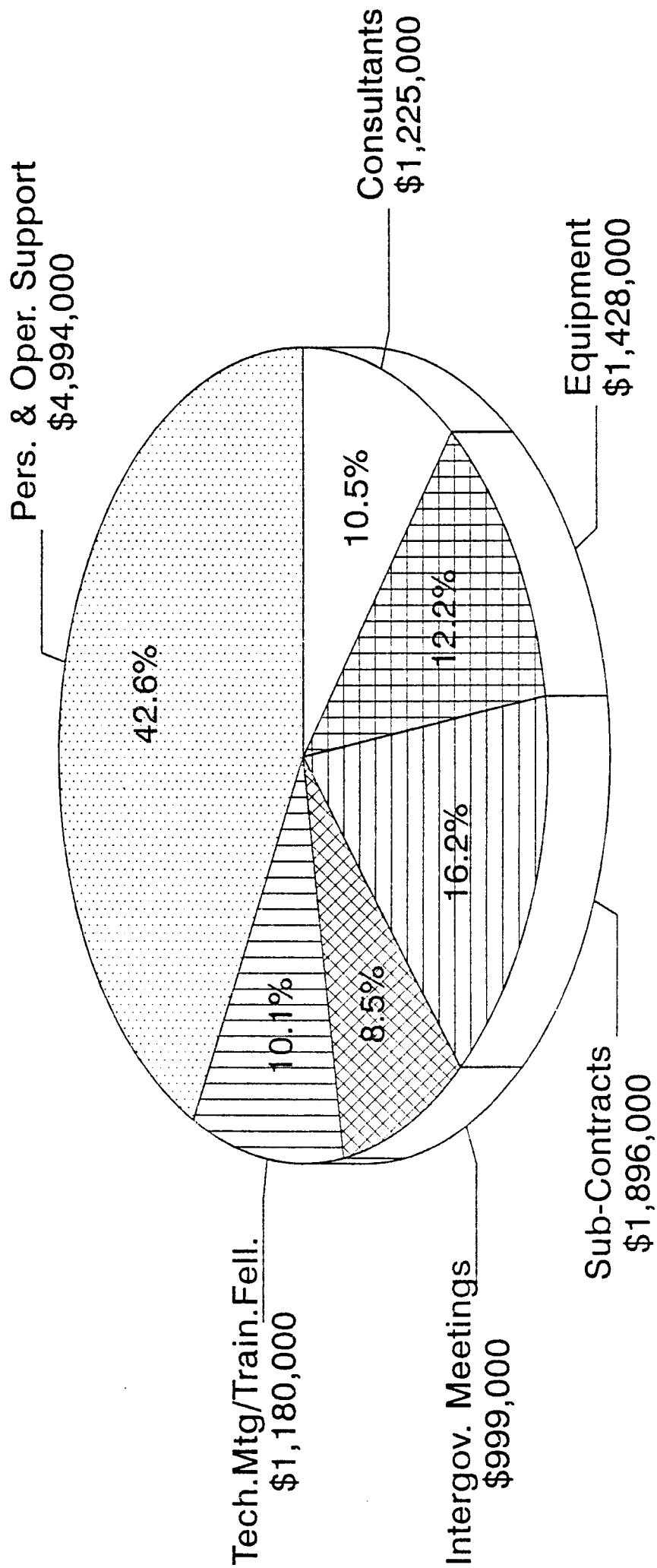


CHART II

MAP Budget Components

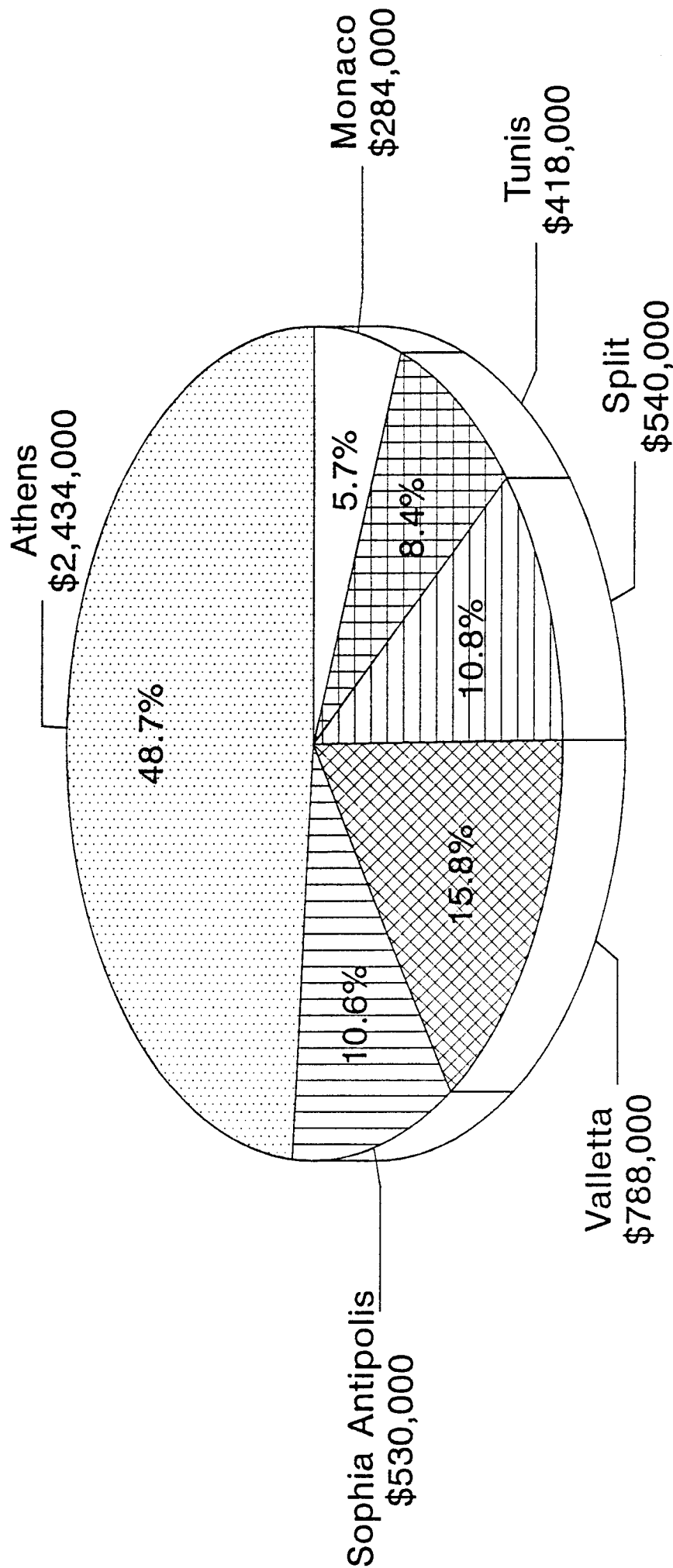
1992 - 1993



● CHART III ●

Personnel and Operational Costs of the Centres

1992 - 1993



ANALYSIS

INTERGOVERNMENTAL MEETINGS

These are meetings that, regardless of the country where they are held, require simultaneous interpretation facilities in four official United Nations languages: Arabic, English, French, and Spanish.

Following is a brief summary of factors relating to the expenses of these meetings:

- **Interpreters:** According to the UN rules they are to be certified and registered professionals, therefore not always available locally. As result, additional travel and daily subsistence allowance expenses are often incurred. Furthermore, for any session longer than six hours, or for any night session, a second team of interpreters are required according to existing regulations. Also 50% of the fees is paid for each day of travel.
- **Revisers and Typists:** The same rules apply to revisers, documenting the sessions in all of the official languages.
- **Rental of conference rooms, floor recording, rental and transportation of dictaphones, rental of copy machines, transportation for the delegates,** and when needed, **rental of interpretation equipment** and other facilities are also affected by inflation, but have not been considered in this report which, according to its terms of reference, follows the previous presentation.

The table following demonstrates the increase in costs of two joint meetings of the Scientific and Technical Committee and the Socio-Economic Committee that took place in Athens, 6-10 May 1991 and 3-7 May 1993. These meetings comprised the same number of participants. The total unweighted average increase amounts to 12.97 per cent and the increase for Athens 15.5 per cent.

Table II shows the fluctuation of the United Nations DSA rates over the study period, ranging from -29.57% for Zagreb to 140.5 for Cairo.

TABLE I

COST OF INTERGOVERNMENTAL MEETINGS - ILLUSTRATIVE CASE

	May 1991 ^{a/} (US Dollars)	May 1993 ^{b/} (US Dollars)	Increase %
Participants:			
Travel	12,752	14,735	15.50
Subsistence	9,040	9,360	3.50
Sub-total	21,792	24,095	10.5
Conf. Support Staff:			
Interpreters (6) Fee	11,430	13,752	20.3
Revisers (4) Fee	4,468	5,085	13.8
Travel	5,382	5,942	10.4
Subsistence	2,260	2,340	3.5
Sub-total	23,540	27,119	15.2
Grand Total	45,332	51,214	12.97

a/ Joint Meeting of the Scientific and Technical Committee and the Socio-Economic Committee, Athens, 6-10 May 1991.

b/ Joint Meeting of the Scientific and Technical Committee and the Socio-Economic Committee, Athens, 3-7 May 1993.

c/ Per diem rates for Athens: \$113 in May 1991 and \$117 in May 1993.

TABLE II

UNITED NATIONS DAILY SUBSISTENCE ALLOWANCE RATES FOR MEDITERRANEAN LOCATIONS

Country/City	June 1991 (US Dollars)	June 1993 (US Dollars)	Increase %
Albania/Tirana	80	122	52.5
Algeria	107	157	46.7
Croatia/Zagreb	213	150	-29.6
Croatia/Split	104	90	-13.5
Cyprus	91	109	19.7
Egypt/Cairo	74	178	140.5
Egypt/Alexandria	112	172	53.6
France/Paris	168	214	27.3
France/elsewhere	148	190	28.3
Greece/Athens	109	119	9.2
Greece/elsewhere	75	96	28.0
Israel/Tel Aviv	151	233	54.3
Italy/Rome	169	222	31.4
Italy/Milan	157	226	43.9
Lebanon/Beirut	128	233	82.0
Libya/Tripoli	136	226	66.0
Malta	123	111	-9.7
Monaco	194	233	20.0
Morocco/Casablanca	207	227	9.7
Morocco/Rabat	207	157	-24.2
Spain/Madrid and Barcelona	224	190	-16.4
Spain/elsewhere	185	157	-15.1
Syria/Damascus	106	164	54.7
Tunisia	78	108	38.4
Turkey/Instanbul	253	216	-14.6
Turkey/Ankara	123	123	0
Turkey/Antalya	178	154	-13.5
Yugoslavia/Belgrade	181	140	-22.7
Unweighted Average			23.1

TECHNICAL MEETINGS/TRAINING AND FELLOWSHIPS

These meetings do not require interpretation and conference services. The major part of total expenses are therefore participants' travel and DSA.

Due to the considerable variations in cost of similar meetings in different locations, four model meetings were selected for assessment, based on comparable elements. The air ticket fares, as given, have been collected from various agencies and airline companies. The DSA rates were those in effect at the time of the meetings (in US Dollars at official UN exchange rate).

Table III reflects cost increases during the period at an unweighted average increase of 19.58%.

TABLE III
COST OF TECHNICAL MEETINGS/TRAINING AND FELLOWSHIPS
ILLUSTRATIVE CASES

Meeting		1991 (US Dollars)	1993 (US Dollars)	Increase %
Athens ^{a/} of which:	Total	21,792	24,095	10.5
	Travel	12,752	14,735	15.5
	DSA	9,040	9,360	3.5
Sophia Antipolis ^{b/}	Total	6,530	7,932	21.5
	Travel	3,570	4,072	14.0
	DSA	2,960	3,860	30.4
Alexandria ^{c/}	Total	11,321	16,499	45.7
	Travel	4,957	5,835	17.7
	DSA	6,364	10,664	67.5
Malta ^{d/}	Total	21,435	21,575	0.7
	Travel	13,531	15,075	11.4
	DSA	7,904	6,500	-17.7
Unweighted Average				19.58

- a/ Joint meeting of the Scientific and Technical Committee and the Socio-Economic Committee, May 91, May 93.
- b/ Based on a five day meeting of four participants at actual travel/DSA costs.
- c/ Training workshop on the statistical treatment and interpretation of marine community data, 9-19 December 91, 93.
- d/ Training course on the theory and handling of protective equipment, May 91, 93.

PERSONNEL AND OPERATIONAL SUPPORT

CO-ORDINATING UNIT (ATHENS, GREECE)

The Office functions with the same number of Professionals and General Service Staff as in 1991. There have, however, been a number of upgradings within the GS category, after the United Nations post classification exercise was completed in 1991, representing an overall increase of 6%. Also there has been, effective 1992, an increase of 13% on the salary scale of the United Nations as a result of a general salary review. A similar revision is expected later this year. The General Service staff further receive an automatic step increase every year, amounting to 7.7% over the two year cycle. These revisions led to some 39.7% increase in the salary of GS staff during the 1992-1993 period.

Professional Staff salaries were increased by 6.5% in August 1991, retroactive March 1991, including post adjustment revisions and regular step increases.

The Greek Drachma in relation to US Dollar fluctuated widely. During the last 24 months (June 91 - June 93) it gained up to 12.5% for periods totalling ten months, with losses up to 10% for periods of 14 months - an overall loss of some 15%.

Rent of office premises has increased in local currency terms by 35%, and in US\$ by 21.38%, representing \$93,068 in two years.

Travel, including MED POL, follows the same increase rate as shown in Table III (Technical Meetings/Training and Fellowships), with 19.58%, requiring an adjustment of \$36,418 to the approved budget of \$186,000 for 1992-1993.

Reporting costs show an increase of 14.9 percent during the 1991-1993 cycle. Expenses covered under this item include rental of the high speed photocopy machine, which increased from Drs. 1,986,000 in 1991 to 2,283,600 in 1993, as well as the Xerox papers used by this machine.

Equipment and maintenance costs, on average, increased by 10%; postage and telecommunication rates by 13.05%.

The overall increase requirement for the Co-ordinating Unit is estimated at 19.48%, needing an adjustment up to a total of \$2,908,249 from the approved \$2,434,000 for 1992-1993.

Athens, Greece	1991 (US Dollars)	1993 (US Dollars)	Increase 1991-1993 %
Postage rates/20 g			
Local	0.26	0.28	7.7
Europe	0.42	0.43	2.4
USA/Asia/Africa	0.53	0.57	7.5
Telephone Rates	0.026	0.035	34.6
Unweighted Average			13.05

TABLE IV

ESTIMATED INCREASES IN COSTS: CO-ORDINATING UNIT, ATHENS, GREECE

Components	1992-1993 budget (US Dollars)	Increase in costs 1991 - 1993	Adjustment
Professional Staff	1,088,000	13.00	1,229,440
GS Staff	514,000	39.70	718,058
Rent	175,000	21.38	212,415
Travel	186,000	19.58	222,418
Reporting Costs	50,000	14.90	57,450
Equipment and Maintenance	245,000	10.00	269,500
Post and Tele- communications	176,000	13.05	198,968
Total	2,434,000	19.48	2,908,249

BLUE PLAN (BP/RAC, Sophia Antipolis, France)

As explained in the first report, a major portion of the operational costs of this Centre is borne by the host Government. The Centre accounts for 10.6% of the total personnel/operational costs.

During the reporting cycle, the French Franc experienced steady depreciation to the US Dollar. Salaries of the professional and GS staff had an overall increase of 15.65% (in US Dollar terms).

Travel costs followed the trend shown in Table III (19.58% increase).

Reporting costs have increased by an average of 7%. Postage and Telecommunication increases are summarized below:

Sophia Antipolis France	1991 (US Dollars)	1993 (US Dollars)	Increase %
Postage rates/20g	0.40	0.75	87.50
Telephone Rates/unit	0.11	0.13	18.00
Average			52.75

Table V reflects an overall increase in operational costs of 17.7%, amounting to \$623,892 for the 1992-1993 cycle.

TABLE V

ESTIMATED INCREASE IN COSTS: (BP/RAC, Sophia Antipolis, France)

Components	1992-1993 (US Dollars)	Increase in costs	Adjustments
Staff	440,000	15.65	508,860
Rent	-	-	-
Travel	40,000	19.58	47,832
Reporting costs	20,000	7.00	21,400
Equipment/maintenance	-	-	-
Post and Telecommunications	30,000	52.75	45,800
Total	530,000	17.70	623,892

PRIORITY ACTIONS PROGRAMME (PAP/RAC, Split, Croatia)

10.8% of the total Personnel/Operational costs are allocated to this Centre. The reporting cycle saw an inflation rate of more than 1,000 (official figure reported by the Government in June). However, local currency also went through important fluctuations (from 245 = US\$1 in 1991 to 2,700 = USD1 in June 1993) representing some 1002% increase. Staffing costs of the Centre, during 1991-1993, rose by 13% (in Professional category).

Travel (including DSA) increased by 19.58%, following the pattern of other Centres and postage/Telecommunications by 118% (in US Dollar terms). Comparative figures for the equipment/maintenance were not available. Reporting costs are indicated to have increased (in US Dollar terms) by 10% (700% in local currency).

The above give an increase of 23.5% in staffing and operational costs, amounting to \$667,054, as compared to the budget of \$540,000 approved for the 1992-1993 period.

Split, Croatia	1991 (US Dollars)	1993 (US Dollars)	Increase %
Postage rates/100g, airmail	3.29	2.43	-26
Telephone Rates/unit	0.04	0.14	262
Average			118

TABLE VI

ESTIMATED INCREASE IN COSTS: PRIORITY ACTIONS PROGRAMME (PAP/RAC, Split)

Components	1992-93 Budget (US Dollars)	Increase in costs %	Adjustments
Staff: Professional	120,000	13.00	135,600
General Service	222,000	0	222,000
Rent	-	-	-
Travel	46,000	19.58	55,006
Reporting costs	38,000	10.00	41,800
Equipment/Maintenance	30,400	-	30,400
Post/Telecommunications	83,600	118.00	182,248
Total	540,000	23.50	667,054

REMPEC (MALTA)

Malta has 15.8% of the total personnel and operational costs of the MAP budget in the 1992-1993 period. Its professional staffing costs have increased at the same rate as other Centres (13%), while General Service Staff salaries remained the same, recovering the step increases from positive currency movements.

Travel costs follow the increase pattern of 19.58% of the other Centres. Reporting costs increased by 11% (in US Dollar terms). Local currency has generally gained in relation to US\$, as a result of which the budget line of equipment/maintenance remains unchanged, with Postage/Telecommunications increasing a low 1.46%.

Malta	1991 (US Dollars)	1993 (US Dollars)	Increase %
Postage rates/20g			
Local	.12	.12	0
Europe	.29	.30	3.44
Others	.41	.42	2.43
Telephone/unit	.53	.53	0
Average			1.46

The Table below shows an increase for staffing and operational support of 8.8% taking the budget from the approved \$788,000 to \$857,343.

TABLE VII
ESTIMATED INCREASE IN COSTS: REMPEC (MALTA)

Components	1992-1993 budget (US Dollars)	Increase in costs %	Adjustments
Staff/Professional	444,000	13.00	501,720
Staff/General Service	167,000	0	167,000
Rent ^{a/}	-	-	-
Travel	42,000	19.58	50,223
Reporting costs	18,500	11.00	20,535
Equipment/maintenance	23,000	0	23,000
Postage/Telecommunications	93,500	1.46	94,865
Total	788,000	8.80	857,343

a/ Paid by the host Government

IAEA/ILMR (MONACO)

The Monaco Centre represents 5.7% of total costs for Personnel and Operational Support.

The salaries of Professional and General Service Staff have increased by 13% and 3.5% respectively. The General Service Staff salary increase is the result of annual step increments.

Travel costs follow the same trend as other Centres (19.58%). The overall increase in costs over the reporting period stand at 11.5%, requiring an additional \$32,858 to the approved budget (from \$284,000 to \$316,858).

TABLE VIII

ESTIMATED INCREASE IN COSTS: IAEA/ILMR (MONACO)

Components	1992-1993 budget (US Dollars)	Increase in costs %	Adjustments
Professional Staff	160,000	13.00	180,800
General Service	76,000	3.50	78,660
Rent ^{a/}	-	-	-
Travel	48,000	19.58	57,398
Reporting costs ^{a/}	-	-	-
Equipment ^{a/}	-	-	-
Post/Telecommunications ^{a/}	-	-	-
Total	284,000	11.5	316,858

a/ Counterpart contribution

SPECIALLY PROTECTED AREAS (SPA/RAC, TUNIS)

The operation commenced in 1991, with four Professional and seven Administrative support Posts, covered at 50% by the host country.

The Professional salaries were increased by 13% during the 1991-1993 period, while to General Service Staff salaries remained unchanged. Office premises are provided by the host country as part of its contribution.

Local currency, in general, rose against US Dollar during the reporting cycle, somewhat compensating the impacts of inflation.

An increase of 19.58% in travel costs, in line with other Centres, has been assumed.

The following table shows an overall increase of 4% on the total allocated budget.

TABLE IX
ESTIMATED INCREASE IN COSTS: SPA/RAC, TUNIS

Components	1992-1993 budget (US Dollars)	Increase in Costs %	Adjustments
Professional Staff	240,000	13.00	249,600
General Service Staff	54,000	0	54,000
Rent ^{a/}	-	-	-
Travel	40,000	19.58	47,832
Reporting Costs Equipment/Maintenance Postage/Telecommunications	84,000	-	84,000
Total	418,000	4.00	435,432

a/ Counterpart contribution

SUMMARY OF COSTS OF THE SIX CENTRES

Table X below summarizes the impact of inflation/changes in costs in all six Centres.

TABLE X
THE IMPACT OF INFLATION ON THE CENTRES
OF THE MEDITERRANEAN ACTION PLAN

Centres	1992-1993 budget (US Dollars)	Increase in Costs %	Adjustments
Athens (MEDU)	2,434,000	19.48	2,908,249
Sophia Antipolis	530,000	17.70	623,892
Split	540,000	23.50	667,054
Malta	788,000	8.80	857,343
Tunisia	418,000	4.00	435,432
Monaco	284,000	11.50	316,858
Total	4,994,000	16.32	5,808,828

CONSULTANTS

The allocated budget for consultancy services was fixed at \$1,255,000 for the 1992-1993 cycle. During the period, so far, 62 individual contracts were issued by the Coordinating Unit, with an average increase in fees of 12%, as compared to 1991. Travel under this category, amounting to 15% of total costs, increased by the same rate as other travel components (19.58%).

The increase is reflected in Table XI below:

TABLE XI
INCREASE IN CONSULTANCY COSTS

Components	1992-1993 budget (US Dollars)	Increase in costs %	Adjustments
Fees	1,066,500	12.00	1,194,480
Travel	188,500	19.58	225,408
Total	1,255,000	13.13	1,419,888

PROVISION OF EQUIPMENT

The approved budget for this component amounted to \$1,428,000 in the 1992-93 period. The nature of the items procured, their purpose and durability are highly varied. A wide range of the hardware equipment can be considered one-time purchases, making it of little interest to list the items in a comparative table.

Price changes vary considerably. Some local institutions have been requested to provide more specific estimation of price developments. From available data it would appear that a 15% to 25% increase has been experienced during the last 24 months.

Table XII below reflects the price changes for 15 of the more frequently procured items. The figures indicate an overall average increase of 21%.

TABLE XII

ESTIMATED INCREASE IN COSTS: LABORATORY EQUIPMENT

Item	Price in 1991/1992 (US Dollars)	Price in 1993 (US Dollars)	Increase %
Printhead Assy 4270	208.00	348	67.30
Solenoid Valve x 75 AGCU	133.00	148.00	11.30
PWB Bat B/U AA2/4/12/1475	847.00	945.00	11.60
12 volt Gelbattery	133.00	133.00	0
Computer de colonies 220V	839.69	600.00	-28.50
Autoclave 20L 3 Bar	1,797.75	2,113.00	17.50
Kit Nitrate	46.60	78.00	67.40
Pompe Unispence	2,069.00	2,253.00	7.50
Pompe bietagée	1,676.00	1,976.00	17.90
Kit Nitrate Tubes x 24	37.26	48.00	28.80
Coffret phosphate	30.50	37.00	21.30
Broyeur à mortier RMO 220V	2,426.80	2,886.00	18.90
Lampe à cathode creuse mercure spl:6 5.00%	434.00	490.00	12.90
24 Tubes Réactif	54.40	71.40	31.40
Lampe tungstene	93.00	123.00	32.00
Unweighted average			21.00

SUB-CONTRACTS

A budget of \$1,896,000 was allocated for the 1992-1993 cycle. Once more, the budget is being divided into three components. Staff support costs, travel (including DSA), and provision of equipment.

The financial support for the staffing costs is expected to have increased by 10% annually. Travel costs went up by 19.53% similar to the increase in other travel components. Equipment under this allocation is assumed to have increased by 20% over the two year period.

These changes are shown in Table XIII below, reflecting an average increase of 19.96%

TABLE XIII

ESTIMATED INCREASE IN COSTS: SUB-CONTRACTS

Components	1992-1993 budget (US Dollars)	Increase in Costs 1991-1993 %	Adjustments (US Dollars)
Staff	758,000	20.00	909,600
Travel	189,000	19.58	226,000
Equipment	949,000	20.00	1,138,800
Total	1,896,000	19.96	2,274,400

CONCLUSIONS

The following table summarizes the estimated cost developments of all six components of the Mediterranean Action Plan 1992-1993 budget. It needs to be emphasized that these changes do not result from extension, expansion or increase in activities during the study cycle. They merely reflect already agreed office requirements, at today's costs, and the adjustments needed to meet the objectives set for the 1992-1993 programme cycle in 1991.

SUMMARY TABLE
THE IMPACT OF INFLATION ON THE
1992-1993 MAP BUDGET

Components	1992-1993 Budget US Dollars	Inflation July 1991 to July 1993 %	Adjustments
Meetings	999,000	12.97	1,128,570
Training/Fellowships	1,180,000	19.58	1,411,044
Personnel & Operational Support	4,994,000	16.32	5,808,828
Consultants	1,255,000	13.13	1,419,888
Provision of Equipment	1,428,000	21.00	1,727,880
Sub-Contracts	1,896,000	21.95	2,312,360
Total	11,752,000	17.50	13,808,570

OBSERVATIONS AND RECOMMENDATIONS

In the course of this study, a number of observations were made on issues which, though not directly related to the impact of inflation and currency fluctuations on the MAP budget, need to be mentioned as they are of importance to the budgetary situation and the financial management of MAP. Recommendations from these observations are:

1. The Co-ordinating Unit, in order to have full management control and perform an effective co-ordination function, needs to have readily available access to the detailed budgetary situation of the Centres and should ensure maintenance of a centralized financial mechanism. The Centres could provide the Co-ordinating Unit with regular assessment and prevision evaluations to assist the Unit in its financial policy-planning and implementation efforts.
2. The post of Fund Management/Administrative Officer (financed from Programme Support budget), appears undergraded in relation to the general professional posting pattern of the Co-ordinating Unit and the regional Centres. In order to provide balanced authority, accountability and control within the complex financial system of the Mediterranean Action Plan the post should be considered for upgrading.
3. Efforts need to be made to agree on, and to implement, a uniform method of accounting and administrative practice in all six Centres.