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MEDITERRANEAN ACTION PLAN

12th Ordinary Meeting of the Contracting Parties to
the Convention for the Protection of the Mediterranean
Sea against Pollution
Monaco, 14-17 November 2001

NOTE BY THE SECRETARIAT ON FINANCIAL ISSUES:

Euro, Arrears and Evolution of the Trust Fund

Note by the secretariat on financial issues

At the meeting of national focal points (Athens, 11–14 September 2001), the secretariat was requested to provide additional information on:

- the status and use of overdue contributions
- changes in the Trust Fund
- possible use of the Euro

In order to gather the relative information, the secretariat consulted with UNON and other secretariats of the conventions managed by UNEP.

1. Status and use of overdue contributions

UNEP considers all contributions as contractual obligations and, as a result, as future revenue.

A convention such as CITES (Geneva) operates in a similar way. CITES estimates the outstanding contributions that will accrue during the current biennium and records them as resources for the coming years. CITES operates in a way similar to the Barcelona Convention. In the case of the 2002–2003 biennium, now being prepared, the Secretariat of the Barcelona Convention, with the agreement of UNEP, has recorded as outstanding contributions a total of an average of US\$ 1,200,000 based on data from previous biennia. However, it is improbable that the outstanding contributions of former Yugoslavia will be paid during the next financial period, 2002–2003. In this case, the budgeted expenses must be allocated; adjustment will be made by drawing on the money available in the Trust Fund. If this hypothesis is confirmed, and although UNON has not taken a position on this question, the Coordinating Unit feels that the outstanding contributions of the former Yugoslavia for the 2004–2005 biennium should be considered as legally outstanding but that they should not be stated as potential income.

2. Situation of the Mediterranean Trust Fund (MTF)

The trust fund was gradually built up after the crisis of 1991–1994 through payment of outstanding contributions. At the end of the 1998–1999 biennium, the balance was US\$ 5,525,663 of which US\$ 1.4 million reserve, a decrease of US\$ 1,195,371 in relation to the level of funds recorded at the end of the 1996–1997 biennium. There has been an acceleration of allocations in 1998–1999 that reflect the information document on the financial accounts for 1998–1999.

It should also be noted that the interest has increased the level of funds since 1994 and until 1999 and that it is advisable to foresee revenue from interest during the next biennium, which is also the case at CITES.

3. Use of the Euro

Background

In January 2002, all the European Contracting Parties will use the Euro as their official currency. Bearing in mind that 90.6 per cent of contributions to the Mediterranean Trust Fund come from European countries, discussions for a more extensive use of the Euro while remitting contributions and drafting budgets were more and more recurrent since early 2001. Discussions during the meeting of MAP focal points led to a request for a budget in Euros at a fixed rate, applicable at the time the draft is prepared, for presentation to the meeting of the Contracting Parties (Monaco, 14-17 November 2001).

Legal background

The General Assembly has approved the United Nations Environment Programme (UNEP) as administrative and financial manager of the Barcelona Convention as stated in "Revised Legislative and Financial Texts regarding the United Nations Environment Programme and the Environment Fund – 1998" chapter II, sections 1 and 2 (copy attached). To this end, a general trust fund has been set up as to receive and administer Contracting Parties/donors voluntary* and counterpart** contributions as per "Financial Regulations and Rules of the United Nations" (series 100) rules 106.3 and 106.4 (copy attached). In Article XI on accounts, Regulation 11.2 recommends, "The accounts should be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary". Further on, Rule 111.5 on the currency of accounts states "The accounts of the United Nations shall be maintained in United States dollars, provided that at offices away from Headquarters accounts may also be maintained in the currency of the country in which they are situated..."

The MEDU Secretariat has been mandated by the MAP focal points to address the Euro issue to United Nations Office at Nairobi (UNON) for consideration.

UNON's first comments are that "Contributions can be remitted in Euros. However, they are converted into US dollars by the recipient bank that manages the Mediterranean Trust Fund. This will continue to be the position as long as the Euro remains a convertible currency. The budget can be stated in Euros as long as it is translated into US dollars as well. The official operating currency of the United Nations is still the US dollar and therefore all official United Nations transactions will continue to be recorded in US dollars. Likewise all official financial statements will be prepared and presented in US dollars; The use of the Euro will affect only the accounts and the contributions will continue to be banked into the New York bank account and converted into US dollars until such time that the United Nations decides on an alternative arrangement. The fact that the Mediterranean region is going to be largely Euro raises deserving consideration for the trust fund to adopt the Euro as its currency. If this is the decision of the Parties, the request with all the justifications should be presented to the Controller for his consideration and approval".

As for the use of the Euro in the operational functioning of MAP, the United Nations Financial rules and regulations—rule 111.5 stated above—clearly authorize offices away from headquarters to maintain accounts in the country's local currency. In January 2002, MAP structures located in European countries—MEDU, BP/RAC, ERS/RAC, CP/RAC—will operate in both US dollars and Euros, as far as activities and operating costs are concerned, local currencies being replaced by the Euro. The applicable rate to be used will be the United Nations official monthly rate.

Cited as an example, CITES (Geneva) was picked by the Secretariat as a specific case. CITES has used Swiss francs since it started. The financial means of CITES have been seriously affected recently by the relative drop of the Swiss franc in relation to the US dollar to the extent that staff salaries are expressed and paid in US dollars. Based on this experience, it is clear that the main question raised by operating in Euros is tied to the fact that the staff of the Secretariat (MEDU) and REMPEC would continue to be paid in dollars, as staff having the status of United Nations. As a result, there is a need, if necessary, to provide for an adjustment mechanism of contributions in order to cover actual salary expenses using expected revenue and ensure their level. At the same time, daily subsistence allowances (DSA) are also calculated in dollars based on the cost of living in the countries.

As a result, the introduction of the Euro in the MAP financial system should also be accompanied by mechanisms making it possible to adjust flexibly the level of contributions in order to take into account fluctuations in exchange rates, something that might appear to be rather difficult.

The secretariat will continue to work on this question in liaison with UNON and the Bureau, by studying more closely the questions that the use of the Euro would raise and methods that would allow a solution and the overall effect on MAP financial operations.

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- * Ordinary Contribution for the Contracting Parties
 - ** Voluntary Contributions for the Contracting Parties

REVISED LEGISLATIVE
AND FINANCIAL TEXTS REGARDING
THE UNITED NATIONS ENVIRONMENT PROGRAMME
AND THE ENVIRONMENT FUND
1998



UNEP

- (b) Thirteen seats for Asian States;
- (c) Six seats for Eastern European States;
- (d) Ten seats for Latin American States;
- (e) Thirteen seats for Western European and other States;

2. *Decides* that the Governing Council shall have the following main functions and responsibilities:

- (a) To promote international cooperation in the field of the environment and to recommend, as appropriate, policies to this end;
- (b) To provide general policy guidance for the direction and coordination of environmental programmes within the United Nations system;
- (c) To receive and review the periodic reports of the Executive Director of the United Nations Environment Programme, referred to in section II, paragraph 2, below, on the implementation of environmental programmes within the United Nations system;
- (d) To keep under review the world environmental situation in order to ensure that emerging environmental problems of wide international significance receive appropriate and adequate consideration by Governments;
- (e) To promote the contribution of the relevant international scientific and other professional communities to the acquisition, assessment and exchange of environmental knowledge and information and, as appropriate, to the technical aspects of the formulation and implementation of environmental programmes within the United Nations system;

- (f) To maintain under continuing review the impact of national and international environmental policies and measures on developing countries, as well as the problem of additional costs that may be incurred by developing countries in the implementation of environmental programmes and projects, and to ensure that such programmes and projects shall be compatible with the development plans and priorities of those countries;

- (g) To review and approve annually the programme of utilization of resources of the Environment Fund referred to in section III below;

3. *Decides* that the Governing Council shall report annually to the General Assembly through the Economic and Social Council, which will transmit to the Assembly such comments on the report as it may deem necessary, particularly with regard to questions of coordination and to the relationship of environmental policies and programmes within the United Nations system to overall economic and social policies and priorities;

II

ENVIRONMENT SECRETARIAT

1. *Decides* that a small secretariat shall be established in the United Nations to serve as a focal point for environmental action and coordination within the United Nations system in such a way as to ensure a high degree of effective management;

2. *Decides* that the environment secretariat shall be headed by the Executive Director of the United Nations Environment Programme, who shall be elected by the General Assembly on the nomination of the Secretary-General for a term of four years and who shall be entrusted, *inter alia*, with the following responsibilities:

**FINANCIAL REGULATIONS AND RULES
OF THE UNITED NATIONS**

(SERIES 100)

SECRETARY-GENERAL'S BULLETIN



UNITED NATIONS

New York, 1985

be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.

Regulation 6.4: Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary programme budget proposals.

Advances from the Working Capital Fund

Rule 106.2

(a) Advances from the Working Capital Fund may be made only for the purposes and within the terms and conditions prescribed by the General Assembly, and only on the basis of a written authorization signed by the Controller.

(b) All advances necessary to finance budgetary appropriations pending the receipt of contributions or to finance obligations under resolutions relating to unforeseen and extraordinary expenses duly approved in accordance with the provisions of rule 103.9 shall be reimbursed to the Working Capital Fund as soon as the cash balance in the General Fund is sufficient for the purpose.

Regulation 6.5: Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.

Regulation 6.6: Trust funds, reserve and special accounts may be established by the Secretary-General and shall be reported to the Advisory Committee.

Regulation 6.7: The purpose and limits of each trust fund, reserve and special account shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such funds and accounts shall be administered in accordance with the present Regulations.

Establishment of trust funds, reserve and special accounts

Rule 106.3

Trust funds, reserve and special accounts may be established outside the programme budget appropriations in respect of specific activities entrusted to the Organization.

Rule 106.4

The purpose and limits of each trust fund, reserve or special account established shall be as defined by the appropriate authority. Such funds and accounts shall be administered in accordance with these Financial Rules unless otherwise provided by the General Assembly. (*See also rules 107.5, 107.6 and 107.7 with respect to acceptance of voluntary contributions, gifts or donations.*)

Trust Fund for the Protection of the Mediterranean Sea against Pollution

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVE AND FUND BALANCE FOR THE YEARS 1994 - 1999 AND CUMMULATIVE TOTALS

	1994	1995	1996	1997	1998	1999	Total
INCOME							
Voluntary contributions*	4,042,501	4,042,501	4,406,325	4,580,858	4,623,146	4,744,793	26,440,124
Counterpart Contributions**	1,150,592	571,461	562,969	1,199,663	13,807	2,776	3,501,268
Bank Interest	159,088	182,857	334,395	351,417	335,929	422,045	1,785,731
TOTAL INCOME	5,352,181	4,796,819	5,303,689	6,131,938	4,972,882	5,169,614	31,727,123
EXPENDITURE							
Direct Expenditures	2,600,051	5,142,364	4,628,791	5,309,148	4,092,395	5,364,049	27,136,798
Programme support costs	338,007	667,901	601,456	690,315	532,006	697,323	3,527,008
TOTAL EXPENDITURE	2,938,058	5,810,265	5,230,247	5,999,463	4,624,401	6,061,372	30,663,806
Prior period adjustment	-	-	-	-	-	(652,094)	(652,094)
EXCESS OF INCOME OVER EXPENDITURE	2,414,123	(1,013,446)	73,442	132,475	348,481	(1,543,852)	411,223
FUND BALANCE AT THE BEGINNING OF THE PERIOD	5,114,440	7,528,563	6,515,117	6,588,559	6,721,034	7,069,515	
FUND BALANCE AT THE END OF THE PERIOD	7,528,563	6,515,117	6,588,559	6,721,034	7,069,515	5,525,663	

* Ordinary Contributions to the Mediterranean Trust Fund (MTF) pledged by the Contracting Parties;

** Voluntary Contributions to the MTF.

Status of Contributions as at 31 December for the years 1994 to 1999

[M€]

TRUST FUND FOR THE PROTECTION OF THE MEDITERRANEAN SEA AGAINST POLLUTION

Countries/Organizations	1994		1995		1996		1997		1998		1999	
	Pledges for 1994	Collections in 1994 for 1994 and Prior Years	Pledges for 1995	Collections in 1995 for 1995 and Prior Years	Pledges for 1996	Collections in 1996 for 1996 and Prior Years	Pledges for 1997	Collections in 1997 for 1997 and Prior Years	Pledges for 1998	Collections in 1998 for 1998 and Prior Years	Pledges for 1999	Collections in 1999 for 1999 and Prior Years
Albania	2,830	-	2,830	2,830	3,084	5,525	3,300	6,384	3,256	-	3,321	201
Algeria	42,446	34,593	42,446	42,446	46,266	37,010	49,505	88,400	48,844	-	49,821	-
Bosnia Herzegovina	12,128	-	12,128	-	13,219	-	14,145	-	13,956	-	14,235	-
Croatia	39,212	39,212	39,212	-	42,741	-	45,733	-	45,122	-	46,024	-
Cyprus	5,660	5,660	5,660	5,660	6,169	6,169	6,601	6,601	6,513	6,513	6,643	6,643
Egypt	19,808	-	19,808	39,616	21,591	21,591	23,103	22,347	22,794	-	23,250	23,250
France	1,534,937	1,534,937	1,534,937	1,534,937	1,673,082	1,673,082	1,731,639	1,731,639	1,766,272	1,766,272	1,801,597	1,801,597
Greece	113,594	250,000	113,594	-	123,818	456,000	132,485	-	130,714	-	133,328	-
Israel	59,425	59,425	59,425	59,425	64,773	64,773	69,307	69,307	68,381	68,381	69,748	69,748
Italy	1,268,132	-	1,268,132	4,828,065	1,382,264	1,379,168	1,430,643	1,289,615	1,430,643	1,300,378	1,488,441	1,762,902
Lebanon	2,830	5,525	2,830	-	3,084	5,914	3,300	-	3,256	-	3,321	-
Libyan Arab Jamahiriya	79,637	-	79,637	-	86,805	-	92,881	590,810	91,640	93,972	93,473	-
Malta	2,830	5,660	2,830	2,830	3,084	508	3,300	3,300	3,256	3,002	3,321	3,321
Monaco	2,830	2,830	2,830	-	3,084	5,914	3,300	3,276	3,256	3,268	3,321	3,313
Morocco	11,319	11,319	11,319	-	12,338	23,707	13,202	13,132	13,025	13,045	13,286	13,286
Slovenia	27,085	-	27,085	54,170	29,522	29,522	31,589	-	31,167	-	31,790	94,546
Spain	605,971	1,183,086	605,971	605,971	660,508	660,508	683,626	683,626	697,299	697,299	711,244	711,244
Syrian Arab Republic	11,319	10,780	11,319	-	12,338	22,638	13,202	14,360	13,025	-	13,286	-
Tunisia	8,489	8,427	8,489	8,489	9,253	9,315	9,901	9,901	9,769	9,769	9,964	9,964
Turkey	90,956	90,956	90,956	90,956	99,143	99,143	106,082	106,082	104,664	104,664	106,758	106,758
Yugoslavia	-	-	-	-	-	-	-	-	-	-	-	-
E.E.C.	101,063	197,313	101,063	101,063	110,159	110,159	114,014	114,014	116,294	116,294	118,621	118,621
Total	4,042,501	3,439,723	4,042,501	7,376,458	4,406,325	4,610,646	4,580,858	4,752,794	4,623,146	4,182,857	4,744,793	4,725,394

**REGIONAL TRUST FUND FOR THE PROTECTION OF THE
MEDITERRANEAN SEA AGAINST POLLUTION**
Status of contributions as at 30 September 2001
(Expressed in US Dollars)

COUNTRIES	Unpaid pledges as at 31 Dec 2000	Adjustments	Pledges for 2001	Collections during 2001 for 2001 and fut. yrs	Collections during 2001 for prior yrs	Unpaid pledges for prior yrs.	Unpaid pledges for 2001 & prior yrs
Albania	(1,366)	0	3,455	0	0	(1,366)	2,089
Algeria	164,043	0	51,834	0	164,043	0	51,834
Bosnia & Herzegovina	39,145	0	14,810	0	0	39,145	53,955
Croatia	0	0	47,883	0	0	0	47,883
Cyprus	0	0	6,911	6,911	0	0	0
European Commission	0	0	123,413	0	0	0	123,413
Egypt	23,550	0	24,189	24,024	23,550	0	165
France	0	0	1,874,382	1,874,382	0	0	0
Greece	0	0	138,714	0	0	0	138,714
Israel	0	0	72,566	72,566	0	0	0
Italy	24,758	0	1,548,574	0	0	24,758	1,573,332
Lebanon	40	0	3,455	3,430	40	(0)	0
Libyan Arab Jamahiriya	487,321	0	97,249	** 97,249	487,321	0	0
Malta	0	0	3,455	3,430	0	0	25
Monaco	0	0	3,455	3,440	0	0	15
Morocco	13,552	0	13,823	0	0	13,552	27,375
Slovenia	0	0	33,074	33,074	0	0	0
Spain	0	0	739,978	739,978	0	0	0
Syrian Arab Rep.	22,321	0	13,823	0	14,360	7,961	21,784
Tunisia	0	0	10,367	20,530	0	0	(10,163)
Turkey	0	0	111,071	111,071	0	0	0
Yugoslavia	469,976	0	0	0	0	469,976	469,976
Total	1,243,340	0	4,936,481	2,990,085	689,314	554,026	2,500,422

Additional Contributions							
European Commission	0	0	546,634	0	0	0	546,634
Host Country *	0	0	411,627	1/ 411,627	0	0	0
Monaco	0	0	143,679	2/ 143,679	0	0	0
UNEP Env. Fund	0	0	50,000	0	0	0	50,000
Total	1,243,340	0	6,088,421	3,545,391	689,314	554,026	3,097,056

N.B. Amounts in brackets mean credit to the Government

1/ Drachmae 158,635,941 deposited in April 2001.

2/ Hosting of MOP in Monte Carlo

** The actual amount received is 92,249 the balance of 5,000 is loss on the exchange loss and has been accepted by the MED Secretariat