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EXTERNAL RELATIONS

(a) Relations with the United Nations and the specialized agencies

**Supplementary information on the financial situation of the Regional
Marine Pollution Emergency Response Centre
for the Mediterranean Sea (REMPEC)**

Introduction

1 The Council has considered the background to the present financial situation at REMPEC outlined by the Secretary-General in document C 108/15(a)/3 and the course of action proposed in response to that situation by a number of Member States in document C 108/15(a)/4. This would entail that, in accordance with paragraph 13 of the Rules of Operation of the TC Fund, the Secretary-General should, during the 2012-2013 biennium, draw down monies from that Fund to finance temporarily, as may be necessary and up to a maximum of £250,000, the salaries of IMO staff and other necessary running costs of the REMPEC project pending receipt of funds from the project donor, UNEP. In its consideration, the Council requested further information on the financial and non-financial realities of the situation at REMPEC and the potential consequences of acceptance or non-acceptance of the proposed course of action. This document responds, as far as is presently possible, to those requests for information.

Legal basis for the establishment of REMPEC

2 In 1974, UNEP created its Regional Seas Programme and, in 1975, the Mediterranean region became the first to adopt an Action Plan (the Mediterranean Action Plan) under that Programme. This was followed by the adoption, also under the aegis of UNEP, of the Barcelona Convention, in 1976, together with:

- .1 the adoption of a "Protocol concerning Co-operation in Combating Pollution of the Mediterranean Sea by Oil and other Harmful Substances in Cases of Emergency" (the Emergency Protocol – later replaced by an equivalent instrument in 2002; and
- .2 the decision of the Contracting Parties to establish a Regional Oil Combating Centre (ROCC – which subsequently became REMPEC) to support the region with the implementation of the Emergency Protocol.

3 From a legal point of view, REMPEC is a Centre of the Contracting Parties to the Barcelona Convention and, consequently, its continued existence and operation is a matter for those Contracting Parties to decide.

Legal basis for IMO's management of REMPEC

4 Simultaneously with REMPEC's creation, and in view of the linkages between the Centre's and IMO's mandates, UNEP invited IMO, and the Organization accepted, to be its partner in the administration and operation of REMPEC. This arrangement was formalized through a project document signed by both organizations, under which IMO was the implementing organization for the project (i.e. management of the Centre), with UNEP providing the required funding, through its Mediterranean Trust Fund, from contributions paid by the Contracting Parties to cover the costs of the Mediterranean Action Plan, including the operation and activities of REMPEC.

5 While the original UNEP/IMO project document was initially for a longer period, since the 1990s it has been renewed on a biennial basis, matching the decisions of the Contracting Parties on biennial budgets and work programmes. Successive project documents have therefore provided – entirely in keeping with traditional long-term technical assistance or development aid projects – for principal components such as the salaries of REMPEC's employees, its operational expenditure (i.e. utilities, materials, etc.) and the costs of providing technical assistance to the Mediterranean region. IMO's role is in this respect similar to its role in the delivery of the work related to the Djibouti Code project, the Globallast project, funded by GEF/UNDP, the SAFEMED project funded by the EC, and the Marine Electronic Highway project, funded by the GEF/World Bank. In each case the staff working on the projects in question are direct employees of IMO, under IMO's Staff Regulations and Staff Rules, regardless of the source of funds used to employ such staff.

6 From a legal perspective, IMO may withdraw from the project, even though there are no specific provisions governing such withdrawal, but not without incurring certain financial liabilities and other consequences, as described below.

Recap of present financial situation

7 It may be noted that the current UNEP/IMO project document was signed, in the usual manner, to cover REMPEC's operations and activities during the 2012-2013 biennium. In it, the contribution of the Mediterranean Trust Fund is budgeted at €748,075 and €774,074 for each year of the biennium. However, because of the financial difficulties affecting the Mediterranean Action Plan, the Contracting Parties have instructed UNEP that disbursement against those budgets is limited to the rate of collection of contributions from Contracting Parties to the Mediterranean Trust Fund (MTF). As a result, at the beginning of the biennium, an interim disbursement authorization was granted by UNEP covering the period January to March 2012. Since then, UNEP has granted a further disbursement authorization, bringing the total so far authorized to €336,634, representing 45 per cent of contributions received and, therefore, 45 per cent of the agreed budget for 2012.

8 Consequently, while IMO will continue to be obliged to make salary payments to its staff, all of whom are now on monthly contracts ending on 30 June 2012, and make payments for office running costs for as long as the Centre is in operation, no further revenue is expected from UNEP until the MTF collection rate increases, something which is beyond the control of the Organization.

9 To summarize the present financial situation, the cash position at the end of June is estimated to be a **negative of €12,500**, based on the following assumptions:

- .1 receipt from UNEP of €186,630, being the balance of the 45% presently available based on current collection rates – we understand that this amount is presently being processed by UNEP;
- .2 settlement of all outstanding vendor liabilities;
- .3 payment of all June salaries and salary-related payments; and
- .4 settlement of all balances due to and from the IMO General Fund, including project support costs for the year to date of approximately €18,000 (due to the General Fund) and funding for REMPEC administrative support of €13,000 (contributed by the General Fund).

10 This forecast takes no account of any action which might be taken by the Council, and considers the cash position for the MTF-funded activities alone, taking no account of funds held by REMPEC for any other purpose such as those for the SAFEMED II project.

Immediate withdrawal of IMO from REMPEC – financial and other consequences

11 Looking forward, should the Council conclude that it is necessary for IMO to withdraw from the UNEP/IMO project and proceed with the administrative closure of that project when the staff contracts end on 30 June 2012, there would immediately be financial and non-financial implications.

Financial consequences

12 From a financial perspective, in the first instance, a number of staff liabilities would crystalize on termination of the current staff contracts. Best estimates of these amounts are shown below:

Cost type	Estimated cost (€)
Accrued Annual Leave	31,000
Repatriation Grant	48,000
Total	79,000

13 In addition, there exists a possibility that REMPEC staff may be entitled to termination benefit, although the legal situation in this respect is far from clear. Should this prove to be the case, however, a best estimate of the amounts due to staff would be approximately €200,000.

14 The direct and immediate staff costs of ending IMO's involvement in the REMPEC project could therefore approach €280,000 if a decision is taken to withdraw from the project now. It is IMO's view that these amounts, relating as they do to liabilities accumulated over the years towards staff working directly and solely on delivery of the Mediterranean Action Plan (MAP), would in due course be recoverable from UNEP as funds become available to them.

15 Whilst these might be the largest elements of cost involved, there would necessarily be additional costs of ending IMO's participation in REMPEC, although these are harder to estimate. They may be expected to include, for example, penalties on early termination of

lease arrangements for office equipment such as photocopiers and costs associated with storing or transporting financial records and other key information to IMO.

Non-financial consequences

16 It should be noted that, while IMO is not a party to the Barcelona Convention or its Protocol, nonetheless, its perceived role is set out in both instruments, and this role is integral to the operation of the Convention and Protocol. Accordingly, should IMO withdraw from the REMPEC project, the Convention and Protocol may well need to be reconsidered. The conclusion of IMO's involvement in REMPEC would also have an immediate direct impact on those elements of the Integrated Technical Co-operation Programme (ITCP), in which it is presently involved.

17 REMPEC plays a crucial role in delivering IMO's ITCP programme in the Mediterranean region and has made a significant impact in terms of assisting IMO's capacity-building efforts in the region. It is expected that REMPEC, in 2012 alone, would assist IMO in implementing six ITCP activities with a total budget of US\$200,000. In addition REMPEC is assisting IMO's technical co-operation efforts through its role as the Regional Coordination Centre for the \$5.68 million GEF-UNDP-IMO Globallast Partnership Project which is in the peak of its implementation to assist the member countries to be prepared for the impending entry into force of the Ballast Water Management Convention. Both of these consequences would negatively affect IMO's ability to deliver capacity-building support to the Mediterranean region.

18 Further, the delivery of the ongoing EC-funded SAFEMED II project is presently conducted by IMO project staff physically based at REMPEC. The delivery of the two SAFEMED projects has traditionally benefited from the synergies of working alongside the REMPEC staff, something which would be lost under this scenario. From a practical perspective, those staff would have to be relocated elsewhere, either in Malta or potentially relocated to IMO Headquarters in London. In the former case, there may be additional office costs and in the latter case there would certainly be an increase in staff costs reflecting the higher cost of living in London and consequently the higher post adjustment rates applied to salaries. It is possible that it would be necessary to renegotiate some contractual aspects with the EC to reflect these realities.

19 Finally, the Centre has recently begun work on the delivery of two further projects:

- .1 the project for **Preparedness for Oil-polluted Shoreline clean-up and Oiled Wildlife interventions – (POSOW)** is a project co-financed by the EU under the Civil Protection Financial Instrument, developed in cooperation with other partners and coordinated by REMPEC, which has a duration of 24 months and a REMPEC share of the EC contribution of €205,526; and
- .2 the project **Mediterranean decision support System for Marine Safety – MEDESS-4M** is a project co-financed by the European Regional Development Fund (ERDF). This project is coordinated by the Department of Merchant Shipping of Cyprus in cooperation with 20 partners, has a duration of 36 months and a total REMPEC eligible cost of €243,480.

20 Alternative arrangements would have to be made for the delivery of both of these projects, each of which envisages a significant in-kind contribution of time by REMPEC staff.

Continuation of REMPEC – financial projections to December 2012

21 Should REMPEC continue in operation in its present form beyond the end of June 2012, IMO will continue to incur staff and other running costs whilst the amount and timing of funds received from UNEP can only be guaranteed by the Contracting Parties of the Barcelona Convention. To provide the Council with appropriate financial projections, annex 1 contains financial forecasts to the end of December 2012 under a number of scenarios. For the purposes of these forecasts, it has been assumed with regard to expenditure that:

- .1 REMPEC staff costs continue at their present level, and include estimates for Education Grant and other contractual obligations to staff;
- .2 office running costs continue at approximately €10,000 per month; and
- .3 no expenses are made with regard to implementation of activities, mission travel or other discretionary expenditure.

22 With regard to income, four different scenarios have been set out under which UNEP's receipts from the Contracting Parties, and consequently the funds they make available to IMO/REMPEC, reach 45 per cent, 75 per cent, 85 per cent and 95 per cent. In summary, the net cash position at the end of December under each of these scenarios is shown in the table below:

Collection rate	Net cash balance at 31 December 2012 (€)*
45%	(366,307)
75%	(141,885)
85%	(67,078)
95%	7,729

23 UNEP has indicated that it anticipates that a 75 per cent collection rate is very likely in the short-term, a collection rate of 85 per cent is likely, while an overall collection rate of 95 per cent is possible. Nevertheless, the Council should be aware that IMO has not received payment schedules or guarantees to support these scenarios, which are provided as an indication of scale only.

24 Under any of these scenarios there would be a need to use the proposed TC Fund facility at some point during the next six months, although the extent of the use required, and the time at which any funds might be repaid, would depend on two variables outside IMO's control – the overall collection rate from the Contracting Parties to the Barcelona Convention and the timing of receipts from UNEP based on that collection rate.

25 Further, should the Council decide at that stage to end IMO's participation in the REMPEC project, the closure costs referred to in paragraphs 12 to 14 would then fall due.

Other information requested by the Council

26 A number of Members requested information on the likely impact on the ITCP as a whole of making the facility proposed by document C 108/15(a)/4 available. To clarify this

* Figures in brackets indicate a cash deficit. For reference, the June 2012 UN Operational Rate of Exchange between the Euro and the US\$ is €0.805 = \$1.00.

point, it is not expected that making this facility available would have any impact on the ITCP for 2012, as:

- .1 the funds used would be made available from unprogrammed reserves of the TC Fund, being monies which are not assigned to projects in the current ITCP; and
- .2 the funds provided would be considered a loan only, rather than an expenditure, to be used only as the need arises.

ANNEX

OUTLINE FINANCIAL PROJECTIONS TO DECEMBER 2012

Scenario 1 – 45% collection rate:

	July	August	September	October	November	December
Opening cash balance	(12,558)	(71,307)	(130,307)	(189,307)	(248,307)	(307,307)
Receipts:						
UNEP	-	-	-	-	-	-
EC contribution	12,270	-	-	-	-	-
Total receipts:	12,270	-	-	-	-	-
Payments:						
Salary costs	58,000	46,000	46,000	46,000	46,000	46,000
Other office expenditures	10,000	10,000	10,000	10,000	10,000	10,000
Support costs	3,000	3,000	3,000	3,000	3,000	3,000
Total payments	71,000	59,000	59,000	59,000	59,000	59,000
Closing cash balance	(71,307)	(130,307)	(189,307)	(248,307)	(307,307)	(366,307)

Scenario 2 – 75% collection rate:

	July	August	September	October	November	December
Opening cash balance	(12,558)	153,115	94,115	35,115	(23,885)	(82,885)
Receipts:						
UNEP	224,422	-	-	-	-	-
EC contribution	12,270	-	-	-	-	-
Total receipts:	236,692	-	-	-	-	-
Payments:						
Salary costs	58,000	46,000	46,000	46,000	46,000	46,000
Other office expenditures	10,000	10,000	10,000	10,000	10,000	10,000
Support costs	3,000	3,000	3,000	3,000	3,000	3,000
Total payments	71,000	59,000	59,000	59,000	59,000	59,000
Closing cash balance	153,115	94,115	35,115	(23,885)	(82,885)	(141,885)

Scenario 3 – 85% collection rate:

	July	August	September	October	November	December
Opening cash balance	(12,558)	153,115	94,115	109,922	50,922	(8,078)
Receipts:						
UNEP	224,422	-	74,807	-	-	-
EC contribution	12,270	-	-	-	-	-
Total receipts:	236,692	-	74,807	-	-	-
Payments:						
Salary costs	58,000	46,000	46,000	46,000	46,000	46,000
Other office expenditures	10,000	10,000	10,000	10,000	10,000	10,000
Support costs	3,000	3,000	3,000	3,000	3,000	3,000
Total payments	71,000	59,000	59,000	59,000	59,000	59,000
Closing cash balance	153,115	94,115	109,922	50,922	(8,078)	(67,078)

Scenario 4 – 95% collection rate:

	July	August	September	October	November	December
Opening cash balance	(12,558)	153,115	94,115	109,922	125,729	66,729
Receipts:						
UNEP	224,422	-	74,807	74,807	-	-
EC contribution	12,270	-	-	-	-	-
Total receipts:	236,692	-	74,807	74,807	-	-
Payments:						
Salary costs	58,000	46,000	46,000	46,000	46,000	46,000
Other office expenditures	10,000	10,000	10,000	10,000	10,000	10,000
Support costs	3,000	3,000	3,000	3,000	3,000	3,000
Total payments	71,000	59,000	59,000	59,000	59,000	59,000
Closing cash balance	153,115	94,115	109,922	125,729	66,729	7,729