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Agenda item 4

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 in 2013. The fund balance improved from a positive USD 1.2 million as at December 2012 to USD 2.5 million as at December 2013. The inter-fund balance (actual cash flow) also improved from a negative USD 2.5 million to a negative USD 1.2 million during the same period.
2. Deficit recovery of the host country contribution (CAL) has been progressing as approved by COP 17. The fund balance improved from negative USD 549,000, to USD 481,000, and USD 375,000 as at December 2011, 2012, and 2013 respectively. The full recovery is expected to be achieved by 2019.

Income as at 30 June 2014

3. A number of Contracting Parties paid their contributions within the first quarter of 2014 as requested in the Financial Regulation and Rules adopted at COP 18 (Decision IG.21/15). The collection rate reached 60% in April 2014, which was a much higher rate compared to the same month in 2013 (40.9% as of 30 April 2013). The status of contributions as of 30 June 2014 is annexed (Annex I). However, no major contributions were received since April and the collection rate has remained unchanged, which gives reason for great concern.
4. While current funds available are insufficient to cover the staffing and operational costs requirements of the second half of 2014, the payment of outstanding 2014 contributions from the major contributing countries in the short-term would rectify the situation and allow for the activities of the PoW to move ahead.

Payment of Arrears

5. As of 1 January 2014, three countries had arrears over 24 months, which have not been paid to date, namely: Lebanon, Libya and Syria.

Implication of Umoja Implementation

6. The UN is currently undergoing a major organizational transformation with the introduction of an Enterprise Resource Planning system based on SAP and named "Umoja", which means "unity" in Swahili. Umoja is designed to help the UN in general, and MAP in particular to harmonize the way the UN works, providing a single data repository with reliable, real-time information aiming at high-quality and cost-effective service delivery around the world.
7. Simultaneously the UN Secretariat, inclusive of UNEP and MAP, has adopted new accounting standards, IPSAS (International Public Sector Accounting Standards) from 1 January 2014. These are international accounting standards commonly used in public sector all over the world. Thanks to its design and functionalities, Umoja will help UNEP and MAP to comply with IPSAS requirements. The migration from the current financial system (IMIS) to the new information system (Umoja) is scheduled in November 2014. This migration will have a substantial impact on the operation of UNEP including that of the MAP.
8. Once the migration to Umoja is complete, a new set of checks and balances will control our operations. The financial management of UNEP/MAP will require imperatively that expenditures are supported by an equivalent amount of cash received prior to the commitment. The system will reject any commitment/payment

requests not supported by the equivalent of cash in the MAP account. Inter-fund borrowing among UNEP funds to ease the cash flow in anticipation of receipt of contributions is, therefore, impossible after the migration.

9. This implies the following:

- a. If assessed contributions are not received in full within the first quarter of the year, UNEP/MAP is obliged to prioritize expenditures while securing salary and operational costs. This may cause delays in the implementation of planned activities.
- b. Payment of the host country contribution (CAL) will have to be effected at the very beginning of the year. Since the CAL is, and will remain for some time, in a recovery process, the fund will not carry over any balance to continue business while waiting for the contribution to come. Failure to receive the contribution will automatically result into default of payment by the Secretariat or alternatively will force the Secretariat to charge operational costs of Host Country nature to the Mediterranean Trust Fund (MEL).

Invoicing for 2015

10. In accordance with the Financial Regulations and Rules and Procedure, invoices for 2015 will be dispatched by UNEP HQs by 15 October 2014 and the Contracting Parties will be urged to make the payment within the first quarter of 2015. Invoices for 2015 will reflect a move from the previous MAP scale of assessment half way towards a scale of assessment which reflects the 2012 scale of assessment agreed by the UN General Assembly, as in the operational clause 5 of the COP 18 decision on the Programme of Work and Budget.
11. The Secretariat has been following up with all the Parties which have not yet paid their 2013 contributions as well as those in arrears for 2013 and prior years' pledges. Letters urging payment were dispatched in January, February and July 2014. Contacts were established at the highest possible level of respective Governments to ensure the payment of the commitment of the Parties.

Expenditures

12. As of end 30 June 2014, 60% of the assessed MEL contributions and 100% of EU discretionary contribution were received, out of which overall 21% has been spent from the former and 73% from the latter. The low expenditure rate under the MTF is mainly due to the fact that the preparation and approval of the project documents had not been concluded for all the Regional Activity Centres (RACs) as of June 2014, and while the resources corresponding to these RACs have already been committed, the subsequent expenditures have not yet materialized.
13. As indicated in paragraphs 4 and 9 above, in the absence of additional resources, the Secretariat may have to postpone the execution of some activities in order to secure the necessary funds to cover the remaining staff and operational costs for 2014 within the available resources. If additional resources are received, the Secretariat will continue to implement the activities within the PoW, while it should be noted that a certain amount of disruption has already been recorded.
14. Furthermore and given the financial fragility of the system caused by the delays in receiving the contributions, the Secretariat is obliged to exercise maximum precaution in committing funds. Therefore, the Secretariat proposes to postpone the filling of three vacant posts which were approved by the COP 18 decision (Operational clause

11 of IG.21/19). Further details are presented in section 3, Personnel Matters, of this document.

Working Capital Reserve

15. Paragraph 2 of Procedure 3 of the Financial Regulations and Rules and Procedures stipulates on the use of the working capital reserve and the procedure of withdrawals from the reserve. Furthermore, Paragraph 7 of the COP 18 decision on the Programme of Work and Budget, IG.21/1, states 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.”
16. In implementing the decision, UNEP HQs established a working capital reserve in July 2014. In the absence of sufficient income, however, the transfer of funds will depend on timely payment of commitments by the Parties towards the end of 2014. The Secretariat will report on the progress of fund transfer to the reserve in the next Bureau meeting.

Contribution Tables and Interim Expenditure Reports

17. In implementing the operational clause 13 of IG.21/19, updated contribution tables have been uploaded onto the UNEP/MAP website on a monthly basis, which has been the practice since 2011. 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.

Draft recommendations:

- **The Bureau welcomes the efforts of the Secretariat and the improvements in MAP’s financial situation and expresses appreciation to the Contracting Parties which paid their annual contribution in the first quarter of 2014.**
- **The Bureau notes with concern the negative impact that delays in the payment of contributions continues to have on the implementation of MAP’s Programme of Work and requests the Contracting Parties to pay their 2014 annual contributions and arrears to the MTF as soon as possible and strictly adhere to the agreed deadlines for the payment of contributions of the subsequent years.**
- **The Bureau acknowledges the challenges posed by the Umoja checks and balances in the financial management of UNEP/MAP and endorses the possibility of temporarily charging operational expenses to the Mediterranean Trust Fund (ML) until the host country contribution account (CAL) recovers to a positive balance by 2019.**

2. CONSULTANCY REPORTING

18. With regards to consultancies, the hiring of consultants funded by the MTF/EU Discretionary funding continues to be minimized. The percentage of consultancies funded by MTF/EU Discretionary funding remained at a low level of 7 percent and 15 percent during June to Dec 2013 and Jan to June 2014 respectively as shown in the summary consultancy table (Annex III).

Draft recommendation:

- **The Bureau encourages the Secretariat to continue taking a precautionary approach and to make the best use of existing human resources in order to minimize the engagement of consultants.**

3. PERSONNEL MATTERS

Personnel Changes at UNEP/MAP

19. There have been the following changes in the incumbency of the existing posts at UNEP/MAP since the COP 18:

- **D1 Coordinator** (Post No: MEL-2322-2K62-2664-1101): The post of Coordinator was reclassified from D2 to D1 level. Ms Maria Luisa Silva Mejias vacated the position on 31 May 2014 and Mr. Gaetano Leone (Italian National) was transferred to UNEP/MAP by the UNEP Executive Director. He reported on duty in Athens on 1 June 2014.
- **G5 Payments and Travel Administrative Assistant** (Post No: OTO-27800-EL-L003): Ms Androniki Mabger, the incumbent of the post, retired as at 31 May 2014. The position was advertised in the United Nations recruitment system INSPIRA on 20 May 2014 for 30 days.

New Posts Approved at COP 18

20. COP 18 approved the staffing of the Secretariat in the decision on the PoW and Budget, IG.21/19. The following progress has been made in reclassification/recruitment processes:

- **D1 Coordinator** (Post No: MEL-2322-2K62-2664-1101): The post of Coordinator was reclassified from D2 to D1 level as explained in Para 19 above.
- **P5 Deputy Coordinator** (Post No MEL-2322-22K62-2664-1102): The post of Deputy Coordinator was reclassified from D1 to P5 level. The Job Description of the post is being advertised as soon as possible.
- **P3 MEDPOL Monitoring/Assessment Programme Officer** (Post No: MEL-2322-2F93-2664-1102): the post of MEDPOL Programme Officer (Monitoring), P4, has been reclassified to P3 level with the title "Monitoring/Assessment Programme Officer" and is to be advertised in the United Nations recruitment system INSPIRA in July 2014 for two months.

- **P3 Legal Officer** (Post No: MEL-2322-2K62-2664-1120): The legal issues are currently attended by Mr. Didier Guiffault (French National) whose services are loaned by the French Government to UNEP on a non-reimbursable basis. The arrangement is expected to last until 31 May 2015. COP 18 approved recruiting a Legal Officer upon his departure.
- **P3 Pollution Officer** (Post No:MEL-2322-2K62-2664-1105): COP 18 gave their approval for the post of Information Officer, P3 to be reclassified as Pollution Officer at the same level and to be filled in 2015.
- **P3 Socio-economic/Sustainable Development Officer** (previously WHO Post): COP 18 gave their approval for the post of WHO Programme Officer, P5, to be reclassified as Socio-economic/Sustainable Development Officer at P3 level and to be filled in 2015.

21. As mentioned in paragraph 14 above, due to insufficient income and shortage of adequate cash flow, the Secretariat proposes to postpone the filling of the following three posts until adequate contributions are received (however, the preliminary phases of recruitment can take off as scheduled):

- P3 Pollution Officer
- P3 Socio-economic Activities/Sustainable Development Officer
- P3 Legal Officer

22. Until these posts are filled, core functions of the posts will be performed by the existing staff as far as possible. However, further delays in recruitment will have a negative impact on the delivery of the mandate of UNEP/MAP.

23. The restructuring of REMPEC approved by COP 18 has been implemented as planned.

Draft recommendation:

- **The Bureau endorses the proposal of the Secretariat to postpone the recruitment of three P3 posts (Pollution Officer, Socio-economic/Sustainable Development Officer and Legal Officer) until adequate contributions are received.**

Annex I
Status of Contributions as of 30 June 2014

Status of Contributions as of 30 June 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	0	27,143
European Union	0	138,483	138,483	0
France	0	2,103,262	2,103,262	0
Greece	0	155,653	0	155,653
Israel	0	81,427	81,427	0
Italy	0	1,737,670	892,860	844,810
Lebanon	4,068	3,877	0	3,877
Libyan Arab Jamahiriya	276,442	109,124	0	109,124
Malta	0	3,877	0	3,877
Monaco	0	3,877	3,877	0
Montenegro	0	1,294	1,265	30
Morocco	84	15,511	0	15,511
Slovenia	0	37,113	0	37,113
Spain	0	830,337	0	830,337
Syrian Arab Republic	45,935	15,511	0	15,511
Tunisia	0	11,632	11,632	0
Turkey	0	124,634	0	124,634
TOTAL	326,530	5,540,569	3,372,950	2,167,620

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	

Annex II
Interim Expenditure Tables

1. Overview of Income and Expenditures (as at 30 June 2014)

A. Income	<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	3,372,950	0	3,372,950
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	0	0	0
<i>TOTAL of Expected Ordinary Income</i>	6,445,940	6,445,940	12,891,880	3,971,519	0	3,971,519
B. Commitments	<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	231,317	0	231,317
Activities under Pooled Funding	0	0	0	0	0	0
<i>Total Activities</i>	<i>1,529,686</i>	<i>1,629,024</i>	<i>3,158,710</i>	<i>231,317</i>	<i>0</i>	<i>231,317</i>
Posts and Other Administrative Costs	3,590,272	3,513,078	7,103,350	1,188,123	0	1,188,123
REMPEC transition costs	227,000	226,000	453,000	24,355	0	24,355
Programme Support Costs	625,457	605,313	1,230,770	141,203	0	141,203
<i>TOTAL Regular Commitments</i>	5,972,415	5,973,415	11,945,830	1,584,997	0	1,584,997
<i>Provision for Working Capital Reserve (incl. PSC)</i>	416,000	415,000	831,000	0	0	0
<i>Amount available for programming</i>	0	0	0	253,250	0	253,250
<i>Grand Total</i>	6,388,415	6,388,415	12,776,830	1,838,247	0	1,838,247

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 June 2014)		
	2014	2015	Total 2014-2015	2014	2015	Total 2014-2015
SECRETARIAT						
TOTAL ACTIVITIES	895,255	1,004,542	1,899,797	155,414	0	155,414
POSTS AND OTHER ADMINISTRATIVE COSTS	1,281,515	1,497,211	2,778,726	507,135	0	507,135
TOTAL	2,176,770	2,501,753	4,678,523	662,549	0	662,549
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	303,067	0	303,067
TOTAL	907,087	803,787	1,710,874	303,067	0	303,067
BLUE PLAN REGIONAL ACTIVITY CENTRE (BP/RAC)						
TOTAL ACTIVITIES	115,875	137,662	253,537	0	0	0
ADMINISTRATIVE SUPPORT	504,426	428,762	933,188	0	0	0
TOTAL	620,301	566,424	1,186,725	0	0	0
PRIORITY ACTIONS PROGRAMME REGIONAL ACTIVITY CENTRE (PAP/RAC)						
TOTAL ACTIVITIES	167,000	132,600	299,600	518	0	518
ADMINISTRATIVE SUPPORT	482,557	415,064	897,621	190,000	0	190,000
TOTAL	649,557	547,664	1,197,221	190,517	0	190,517
SPECIALY PROTECTED AREAS REGIONAL ACTIVITY CENTRE (SPA/RAC)						
TOTAL ACTIVITIES	233,481	230,492	463,973	75,385	0	75,385
ADMINISTRATIVE SUPPORT	385,487	327,664	713,151	130,449	0	130,449
TOTAL	618,968	558,156	1,177,124	205,834	0	205,834
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

2. Summary of Activities and Administrative Costs by Component (Regular Commitments - MTF/EU discr.)

(in €)	Approved Budget			Actual expenses (as at June 2014)		
	2014	2015	Total 2014-2015	2014	2015	Total 2014-2015
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	0	0	0
TOTAL	50,000	50,002	100,002	0	0	0
ACTIVITIES UNDER POOLED FUNDING	0	0	0	0	0	0
PROGRAMME SUPPORT COSTS	625,457	605,313	1,230,770	141,203	0	141,203
GRAND TOTAL	5,723,140	5,724,140	11,447,280	1,503,170	0	1,503,170

3. STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVE AND FUND BALANCE (MTF) FOR THE YEARS 2009-2013 (IN USD)
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	2009	2010	2011	2012	2013
INCOME					
Counterpart contributions	7,085,127	7,065,190	7,610,153	7,388,394	7,045,184
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
EXPENDITURE					
Direct Expenditures	11,116,028	5,290,188	7,631,990	4,125,914	5,173,251
Programme Support Costs	1,478,336	672,880	236,228	389,650	573,413
TOTAL EXPENDITURE	12,594,364	5,963,068	7,868,218	4,515,564	5,746,664
Prior period adjustment	0	0	945,806	53,665	(181)
EXCESS OF INCOME OVER EXPENDITURE	(5,509,237)	1,103,469	714,189	2,926,495	1,346,166
Transfers from Other Funds	0	1,013,191	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
FUND BALANCE AT THE END OF PERIOD	(4,507,812)	(2,391,152)	(1,676,963)	1,249,532	2,595,698

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

in millions EUR	Actual 2012-2013	2014-2015 estimate	2016-2017 estimate
MTF fund balance brought forward	-1.3	1.9	2.3
Income			
Ordinary contributions excluding PSC	9.8	9.3	9.3
PSC	1.3	1.2	1.2
Total Income	11.1	10.6	10.6
Expenditures			
Expenditures	7.9	9.8	10.6
Total Expenditures	7.9	9.8	10.6
Difference between Income and Expenditures	3.2	0.8	0.0
Other items			
Adjustment for uncollected pledges 2014			
Adjustment for uncollected pledges up to 2013		-0.3	
MTF fund balance carried forward	1.9	2.3	2.3
of which Working Capital Reserve		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 1/6/2013 - 31/12/2013		
Component	Description	Consultancy costs
C. Unit	Med Trust Fund/EU Discretionary*	26,000
	Other funding	71,188
	Sub-total	97,188
MEDPOL	Med Trust Fund/EU Discretionary	0
	Other funding	0
	Sub-total	0
BP	Med Trust Fund/EU Discretionary	0
	Other funding*	784,297
	Sub-total	784,297
PAP	Med Trust Fund/EU Discretionary	13,650
	Other funding	55,000
	Sub-total	68,650
REMPEC	Med Trust Fund/EU Discretionary	10,112
	Other funding	18,074
	Sub-total	28,186
SPA	Med Trust Fund/EU Discretionary	30,750
	Other funding	73,747
	Sub-total	104,497
SCP	Med Trust Fund/EU Discretionary	0
	Other funding	19,015
	Sub-total	19,015
Total	Med Trust Fund/EU Discretionary	80,512
	Other funding	1,021,321
	Grand Total (in EUR)	1,101,834
	Percentage MTF/EU over total	7.31

*EUR 26,000 for translation for MAP FP/Bureau/COP

**Vendors and Implementing Partners are included under some Components

Consultancy costs 1/1/2014 - 30/6/2014		
Component	Description	Consultancy costs
C. Unit	Med Trust Fund/EU Discretionary*	51,965
	Other funding	138,482
	Sub-total	190,447
MEDPOL	Med Trust Fund/EU Discretionary	0
	Other funding	240,058
	Sub-total	240,058
BP	Med Trust Fund/EU Discretionary	0
	Other funding*	325,553
	Sub-total	325,553
PAP	Med Trust Fund/EU Discretionary	103,000
	Other funding	67,047
	Sub-total	170,047
REMPEC	Med Trust Fund/EU Discretionary	0
	Other funding	0
	Sub-total	0
SPA	Med Trust Fund/EU Discretionary	12,000
	Other funding	51,300
	Sub-total	63,300
SCP	Med Trust Fund/EU Discretionary	0
	Other funding	117,000
	Sub-total	117,000
Total	Med Trust Fund/EU Discretionary	166,965
	Other funding	939,441
	Grand Total (in EUR)	1,106,406
	Percentage MTF/EU over total	15.09

*EUR 51,965 for translations for the Bureau/MCSD/ECAP/Compliance committed

**Vendors and Implementing Partners are included under some Components