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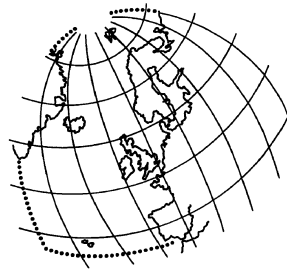
Financing the OSPAR Commission

OSPAR Commission

for the Protection of the Marine
Environment of the North-East Atlantic

Commission OSPAR

*pour la protection du milieu marin de
l'Atlantique du Nord-Est*



SEVENTH MEETING OF THE REGIONAL SEAS ORGANISATIONS

Financing the OSPAR Commission

Presented by the OSPAR Secretariat

This document aims to explain the way in which the OSPAR Commission is financed, the reasons for this, the advantages and disadvantages of the system and the new developments that are foreseen.

Background

1. The OSPAR Commission is the mechanism through which fifteen States in north-west Europe, together with the European Community, collaborate to protect the marine environment of the North-East Atlantic. The States are Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Luxembourg, Norway, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
2. With this membership, it is not surprising that the OSPAR Commission (and its predecessors) have always been funded directly by contributions from the Contracting Parties. All the States (at least nowadays) are successful economies.
3. Nevertheless, the problem of differences in size is important. Three of the Contracting Parties (France, Germany, the United Kingdom) are members of the G7 group of the world's largest economies, but two Contracting Parties (Iceland and Luxembourg) have populations of less than 400,000.
4. OSPAR has always had a complex structure, resulting from historical developments:
 - a. originally, there were three relevant international agreements: the 1969 Bonn Agreement (dealing with response to, and prevention of, pollution from ships and maritime accidents), the 1972 Oslo Convention (dealing with dumping from ships and aircraft) and the 1974 Paris Convention (dealing with land-based pollution, including offshore installations);
 - b. both the Oslo Convention and the Paris Convention set up international Commissions to take forward their work, and provided for secretariats to service these commissions. However, the membership of the two Commissions was not the same, since the European Community was not a Contracting Party to the Oslo Convention and Finland was not a Contracting Party to the Paris Convention;
 - c. in 1992, the Oslo and Paris Conventions were updated and unified to form the OSPAR Convention. This set up a single OSPAR Commission. All the Contracting parties to both the Oslo and Paris Conventions became Contracting Parties to the OSPAR Convention;
 - d. the Bonn Agreement (BONN) involves only the North Sea States¹ (Belgium, Denmark, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom. Initially BONN did not have meetings of the Contracting Parties, but during the 1970s it was agreed that such meetings were desirable. When BONN was revised in 1983, provision was made for arranging secretariat support for these meetings;

¹ Currently, Ireland is in the process of acceding to the Bonn Agreement, and the "North Sea Area" for the purposes of the agreement will be extended to cover all the waters under the jurisdiction of Ireland, together with adjoining waters under the jurisdiction of France, Norway and the United Kingdom.

- e. when preparations were being made in the 1970s for the entry into force of the Oslo and Paris Conventions, it was agreed that there would be a joint Secretariat. Agreement was also reached that this Secretariat would also service the meetings of the BONN Contracting Parties;
- f. alongside the Oslo, Paris and OSPAR Conventions, there has been a parallel, informal North Sea process. This has mainly taken the form of North Sea Conferences². These were meetings of the Ministers of the North Sea States (Belgium, Denmark, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom) responsible for the environment of the North Sea, together with the Member of the European Commission responsible for the environment. They have adopted declarations that were not binding in international law, but which have had considerable influence. From 1990, Switzerland and, from 1995, Luxembourg, have been associated with the process. The host countries in turn have provided the chairmen and secretariats. The OSPAR Secretariat has, however, been substantially involved in various aspects of the work;
- g. in the North Atlantic, there is a very long-standing body dealing with cooperation in marine science – the International Council for the Exploration of the Sea (ICES). This body (which celebrated its centenary includes all the OSPAR Contracting Parties (except Luxembourg and Switzerland), the other Baltic Sea states (including the Russian Federation), Canada and the United States. OSPAR has a memorandum of understanding with ICES under which it both acts as data manager for some data and provides scientific advice on specific questions.

5. The financing arrangements have had to take account of this complex structure. As between the Oslo and Paris Commissions, agreement was reached at the start that the total budget for the joint Secretariat should be divided 50/50, and this arrangement was maintained throughout the existence of the two Commissions, even though the work probably became more focused on the Paris Convention as time went on. This arrangement was made easier because, for most Contracting Parties, the contributions for both Commissions were made by the same Ministry. In contrast, the contributions to the Bonn Agreement budget were made, for most Contracting Parties, by different Ministries than those responsible for Oslo and Paris Convention affairs. The Bonn Agreement budget has therefore always been based on an assessment of the costs attributable to the Bonn Agreement work, including periodic day-by-day recording of the amount of time spent on Bonn Agreement work by the staff concerned.

“Secretariat” versus “project” costs

6. An important distinction can be made between what can be described as “secretariat” costs and “project” costs. The former are the inevitable running costs of an organisation: creating documents for meetings, organising meetings, preparing the records of meetings, following-up the agreements reached. The latter are the costs of carrying out specific projects – collecting monitoring information, handling data, developing proposals etc etc.

7. In the OSPAR system, there has been a tendency that the secretariat costs have been met from the collective budget, while project costs have been met directly by individual Contracting Parties. The difference is not absolute: certain secretariat costs have been met regularly by individual Contracting Parties, and (as explained below) some project costs have been met from collective budgets. But the difference has, by and large, been a feature of financing OSPAR’s work.

8. The reason for this is that, under many of the national budgetary systems, there are special rules about paying subscriptions to international organisations. For example, in France, all payments of international subscriptions must come from the budget of the Ministry of Foreign Affairs, while in the United Kingdom, all international subscriptions must be separately identified in the estimate presented

² Officially, the International Conferences for the Protection of the North Sea – Bremen (Germany) 1983; London (United Kingdom) 1987; The Hague (the Netherlands) 1990; Esbjerg (Denmark) 1995; Bergen (Norway) 2002.

to Parliament for the Department responsible, and can only be changed in the course of the financial year by presenting a new estimate. These rigidities mean that it is often a lot easier for a Contracting Party to agree to meet an expenditure directly, than to have it met from an OSPAR budget.

9. For the Bonn Agreement, as well, there is a strong wish on the part of most Contracting Parties to restrict its budget to secretariat costs in the narrow sense. One or two Contracting Parties have there, however, argued for the budget to pay (at least in part) for project costs. Nevertheless, this is probably due more to particular circumstances than to a difference of underlying opinion. The Bonn Agreement had built up a surplus over the years equivalent to nearly a whole year's budget. Rather than return this to the Contracting Parties, by reducing their contributions, some Contracting Parties saw this as an opportunity to fund some of the project expenditure that they considered necessary. Since, under the rules of procedure, all budgetary decisions must be unanimous, there has been some compromise, and some of the surplus was used to reimburse project expenditure that had been incurred by one Contracting Party. This does not seem, however, likely to be a long-term arrangement.

Secretariat costs

10. The OSPAR and BONN general budgets bear the overwhelming majority of the secretariat costs. Nevertheless, some secretariat costs are met directly by individual OSPAR and BONN Contracting Parties. These are:

- a. the accommodation (including simultaneous interpretation) for meetings that they host and any hospitality that they offer,
- b. the costs of translating the summary records of such meetings, and
- c. the costs of travel, subsistence and overtime of the secretarial assistants that attend the meetings (but not those of the Executive Secretary and his Deputies).

The reason for this in the first place is that where a Contracting Party is hosting a meeting, it is much easier for them to decide what they will provide, and how they will provide it. Originally, translation and secretarial support were likewise provided in kind by the host. Over time, however, Contracting Parties found it easier to ask the Secretariat to provide this, and agreed to reimburse the costs. This arrangement is now embodied in the Rules of Procedure.

11. Simultaneous interpretation is a difficult issue. OSPAR has two official languages (English and French). Originally, a substantial minority of Contracting Parties regularly used French (Belgium, France, Luxembourg, Portugal, Switzerland and Spain were the "Francophone delegations"). Now, most of these have English as their preferred working language. Nevertheless, the rules require simultaneous interpretation for hosted meetings unless (except for the actual Commission meeting) there is no preliminary request for it and the Secretariat thinks that the meeting can be conducted in one language. For cost reasons, Contracting Parties are increasingly reluctant to host a meeting where simultaneous interpretation might be required. The Secretariat, and therefore the collective budget, is thus increasingly having to be responsible for all aspects of meetings (fortunately, the Rules of Procedure do not require simultaneous interpretation where there is no host!).

Staff costs

12. Since the OSPAR and BONN budgets are mainly for secretariat costs, it is not surprising that staff costs are the dominant part of the OSPAR and BONN budgets: staff costs form about 66% of the total budget.

13. There are a fairly large number of international organisations involving the states of western Europe. The European Community has always had its own arrangements for staff pay. But for the rest, an interorganisational system, called the "Coordinated Organisations", has been set up. This includes both large bodies such as the Organisation for Economic Cooperation and Development (OECD), the Council of Europe and the North Atlantic Treaty Organisation (NATO) and smaller bodies such as the European Centre for Medium-Range Weather-Forecasting. This system, which

involves the Ministries of Finance of the States, makes recommendations on all aspects of pay and conditions of staff of the organisations, including

- a. the increases in salary that are needed to reflect, in the pay-levels for a central site (now Brussels), the average levels of changes in the public-sector salaries in the participating States ;
- b. the changes in salary that are needed to maintain purchasing power parity in the different States in which the Coordinated Organisations operate of the salaries set for that central site.

14. When the Oslo and Paris Commissions were being set up, there was a proposal that they should become members of the Coordinated Organisations. This was opposed, however, by at least one Contracting Party, on the grounds that the Coordinated Organisations was already a complicated system, and should not be made more complicated.

15. Arrangements were therefore made instead that the Oslo and Paris Commissions should be entitled to receive the recommendations of the Coordinated Organisations on pay and conditions of staff. A payment (around £2,500 a year) is made for this service. The Staff Regulations of the Oslo and Paris Commissions, and now of the OSPAR Commission, follow the general trend of the Coordinated Organisations recommendations and specifically provide that “The salary scales of remuneration of the Co-ordinated Organisations for staff serving in the United Kingdom shall be used as a basis for staff members’ remuneration” and, subject to special arrangements which allow the Commission to opt out of the recommendations if there are real budgetary problems, “the basic salaries shall be adjusted at 1 January each year in line with the adjustments recommended by the Co-ordinated Committee on Remuneration (CCR) of the Co-ordinated Organisations”.

16. Since the recommendations of the Coordinated Organisations are, in effect, agreed by the Ministries of Finance, there have rarely been any problems in applying this system.

Pensions and insurance

17. The failure to join the Coordinated Organisations system meant that the staff of the Oslo and Paris Commissions (and now the OSPAR Commission) were not eligible to join the Coordinated Organisations’ pension fund. The arrangements that have been made are therefore:

- a. the Commission sets aside an annual pension provision for each member of staff (7% of basic salary is deducted from the basic pay, and a further 14% of basic salary is added to this by the Commission)
- b. for executive staff who are on secondment from a national Civil Service for the duration of their contract, the Commission pays into the pension scheme of that Civil Service to maintain the entitlement of the member of staff concerned. Where the annual pension provision is not enough to meet what is required by the national pension scheme, the member of staff has to add from their salary. Where it is more than enough, the surplus is invested as in (c);
- c. for other staff, the annual pension provision is to “be invested in the most satisfactory way for each staff member, so as to establish a pension fund suitable for each individual”. In practice, this means that the annual pension provision is paid into either a private pension scheme authorised under the legislation of the relevant Contracting Party, or is paid into a trust fund with a suitable financial organisation in the joint names of the member of staff and the Commission.

18. Under the headquarters agreement with the host Government (the United Kingdom), all members of staff must be part of the UK National Insurance Scheme, unless they are not permanently settled in the UK (in which case they must be members of the comparable scheme in their home State). This means that the necessary contributions are deducted from salaries, and the Commission

makes further (substantial) salary-related contributions. These arrangements provide for basic social security provision and (under the UK National Health Service) the full range of health treatment.

19. In addition, the Staff Regulations provide for:

- a. a death benefit of two-years basic salary, if a member of staff dies while in post. The Commission has a life-insurance policy to cover any payments that might become due;
- b. permanent disability pensions for staff who become incapable because of sickness or injury of carrying out their normal work. Potential liabilities for such benefits are covered by an insurance policy maintained by the Commission;
- c. additional health insurance for staff to cover the costs of private treatment (as opposed to the UK National Health Service).

Accommodation

20. The Oslo and Paris Commissions, and now the OSPAR Commission, have always been housed in office space provided by the host Government. The Commission(s), however, have always had to pay for this office space. Office space in London is very expensive compared with other European cities. In the 1980s, at a time of considerable inflation, an agreement was reached that the host Government would make an additional contribution to the OSPAR budget to bridge the extra cost of accommodation. At that time, office space in London was fetching rents about five times of comparable accommodation in Amsterdam, Frankfurt or Paris. The UK Government therefore agreed to pay an extra contribution of 80% of the charge for accommodation.

21. Originally, the charge was fixed for five-year periods on the basis of the commercial rents that would be payable for the office space. Since rents could change considerably over a five-year period, this could give rise to budgetary difficulties if there was a substantial increase – and make budget-setting quite a bit easier when (as happened in 1997) rent levels dropped. The UK Government Department concerned has now effectively privatised its office buildings, and OSPAR has been given the benefit of this arrangement. The annual payment is now adjusted annually in line with the UK Retail Price Index, which means that smaller annual adjustments have replaced the five-yearly substantial change.

Office equipment

22. A certain amount of office equipment is essential for the work of the Secretariat. The equipment can be divided into two classes: that which it is sensible to lease, since a conjoined maintenance contract by the lessor is a good guarantee of the equipment remaining effective at all times, and that which could be leased or purchased outright.

23. The former does not present any difficulty, since the rent under the lease is simply carried on the OSPAR budget. The latter is more difficult. Usually, where linked maintenance contracts are not in question, outright purchase will be more economic. Outright purchase, however, requires the deployment of some capital. Contracting Parties do not find it easy to accept an increase in their contributions to provide that capital, and (at least in London) it is difficult for international organisations to borrow money³. For items such as the computer system, therefore, OSPAR has used the system of finance leases, whereby a financial body (in this case, a specialist subsidiary of the bank which handles the current and deposit accounts) buys the equipment, and then leases it to OSPAR.

Bank interest and sales

24. The only income that OSPAR receives, other than the contributions from the Contracting Parties, is from bank interest and sales of publications. The latter is now diminishing, since a policy

³ The reason for this is that the International Tin Council entered into liabilities of several million pounds, and its Contracting Parties then refused to meet them. Extensive litigation showed how difficult it was for the debtors to get any money back.

decision has been taken that all publications will be made available through the Internet. Selling copies of publications is therefore no longer practicable.

25. Bank interest arises because the contributions from Contracting Parties are due at the start of the financial year, and the expenditure is spread over the whole year. The contributions are therefore put into a deposit account until required, on which a small amount of interest is earned. Some Contracting Parties have argued that an estimate of these receipts of interest should be deducted off the amount to be provided by the Contracting Parties for the year in which the interest arises. The Secretariat has, however, so far successfully argued that interest rates can be volatile, that the receipts may therefore be uncertain, and that it is therefore better to credit the interest to the general fund (see below), which has the effect of reducing the Contracting Parties' contributions for the following year.

In-year changes

26. The budget is approved at the annual meeting of the Commission – six months before the beginning of the financial year. There is therefore a risk that the actual needs for expenditure will be different from those foreseen. The Executive Secretary is therefore given power to switch resources between headings in the different chapters of the budget and (with the approval of the Chairman of the Commission) between chapters of the budget. Such changes have to be reported in the notes to the audited accounts. In most years, some use is made of this flexibility.

Audit

27. From the start, the UK National Audit Office agreed to act as external auditor of the Oslo and Paris Commissions, and is now the external auditor of the OSPAR Commission. This arrangement has been very beneficial to the Commissions, since the charges levied (which are now fixed for the long-term, but subject to increase in line with the UK Retail Price Index) are well below those which a commercial firm of auditors would charge.

Project costs

28. As has been said, the tendency is for projects to be carried out by lead countries, and for those countries to meet the costs of the project directly (sometimes consortiums of lead countries are formed, which share the costs).

29. The financial rules, however, provide for the adoption of special budgets (which can then have a different system of division between the Contracting Parties from the general budget). These special budgets can be, and have been, used for project costs, but not to a great extent.

30. In addition, from time to time, a Contracting Party has found it useful to use the Secretariat to organise a project. Under this approach, the Contracting Party makes a payment to the OSPAR Commission, which then holds that money in a special fund, and meets the costs of the project from that fund. Several Contracting Parties have also joined in using this approach.

Special budgets

31. As has been said, OSPAR has regularly used ICES since the start to provide scientific advice. The advice does not come from the ICES Secretariat, but from ICES committees and working groups. These are staffed by national experts in marine science, who are often the same people as come to OSPAR meetings. Nevertheless, the view has been taken that, by being at one remove from the policy-makers and decision-takers who are the main actors in OSPAR meetings, the guarantee of scientific objectivity can be improved.

32. There has therefore always been an annual ICES special budget to fund the costs of providing this scientific advice. These costs are regulated by a memorandum of understanding between ICES and OSPAR, which sets out the basis for charging. This basis is effectively meeting the full cost of providing the advice (including ICES overheads).

33. The production of the Quality Status Report on the North-East Atlantic in the years running up to 2000 was treated as a project to be financed by a special budget. The total project costs were

around £250 000, and included (some, but by no means all) work on developing information, design, copy-editing, peer review and printing. The costs were spread over three years.

Data handling

34. The management of data can be regarded as sharing some of the characteristics of projects: it is not directly related to OSPAR meetings, and the data needs effort to interpret it. OSPAR has a number of systems for collecting data relating to the marine environment and human activities affecting it. These fall into three main groups:

- a. the ***Coordinated Environmental Monitoring Programme***: The data collected under this programme have in common the fact that they are usually collected by marine-research vessels at sea, or by sampling arrangements linked to the work of such vessels. Under long-standing arrangements, this data is provided to ICES and, after quality-control measures, input by ICES to their data base. ICES' costs for this work are included in the annual ICES special budget;
- b. the ***Coordinated Atmospheric Monitoring Programme***: The data collected under this programme is reported to the Norwegian Air Research Institute (NILU). NILU carry out quality-control measures and put the data into their data base (which is also used for the purposes of the UN ECE Convention on Long-Range Air Pollution). The costs of NILU are, exceptionally, met from a special chapter of the OSPAR general budget;
- c. ***miscellaneous data-collection systems***: There are a large number of other data streams. These are handled as inputs to documents for meetings, and published as annual (or multi-annual) reports. Since they are linked to meeting documents, the costs of preparation are met as secretariat costs from the OSPAR general budget.

35. The assessment of the data collected in this way is an important task. OSPAR regularly organises this by organising an assessment panel consisting of relevant experts from the Contracting Parties, who prepare a draft assessment. The costs of doing this are met (as, in effect, project costs) by the Contracting Parties concerned, with support from the OSPAR secretariat to prepare the necessary documents.

Future issues on project costs

36. The miscellaneous data-collection systems are not producing a satisfactory way of managing the data over the long-term. This is going to become increasingly important with the approach of the as the next Quality Status Report (QSR) on the North-East Atlantic, which is scheduled for 2010. There are also questions whether better integration is needed, and whether it may be desirable to have collective commissions to specialists to prepare material (particularly in the light of the growing problems of Contracting Parties committing themselves to take the lead on projects).

37. OSPAR has therefore agreed to consider whether there is a case to set up two special budgets:

- a. one (which would incorporate the existing annual ICES special budget) to provide annually for the management and assessment of data;
- b. a second to provide for the production of the QSR 2010.

Several Contracting Parties have argued strongly for keeping these two separate, so that there is no risk that the need for higher expenditure in the years up to 2010 gets carried over into a long-term, recurrent budget for data-handling. OSPAR will consider these questions at management meetings over the next twelve months.

Funding the costs

Allocating contributions

38. As has been said, apart from bank interest and sales, OSPAR relies on contributions from the Contracting Parties to fund its budgets. From the start, there has been a tension between two different principles:

- a. Contracting Parties should contribute according to their economic status – it would be unreasonably for a country of 80 000 000 people only to pay the same as a country of 300 000;
 - b. Contracting Parties have equal voices in the OSPAR Commission and should therefore contribute equally.
39. From the start, also, all budgetary decisions have had to be taken by unanimity.
40. The basic approach agreed for the general budget⁴ is therefore a balance between the two principles:
- a. two-fifths (40%) of the budget is divided in equal shares (16 Contracting Parties each pay 2.5% of the general budget);
 - b. three-fifths (60%) is divided according to the size of the economies of the Contracting Parties (the triennial assessment of the United Nations of the basis of contributions from Member States is used for this purpose).
41. Three refinements have been added to this basic approach:
- a. since the European Community does not have an economic base separate from its Member States, it pays only the 2.5% share (this approach has, in fact, been adopted as standard for EC participation in other international agreements);
 - b. when extra work to support the North Sea Conferences was taken on, special arrangements were made for this. When OSPAR agreed to take on a wider responsibility for following-up commitments made by the North Sea Conferences, a special “North Sea tranche” of the contributions was established. This is 16.66% of the total general budget, and is divided equally between the eight North Sea coastal States, in addition to their share under the approach described in paragraph 39 of the remaining 83.33%;
 - c. to prevent any one Contracting Party dominating the budget, a “cap” of 22% of the total general budget is applied to any one contribution. The excess over this cap is redistributed among the un-capped States under the approach described in paragraph 39. In practice, France, Germany and the United Kingdom usually benefit from this cap.
42. This system, though complex, has been able to achieve, and maintain, unanimous agreement since the early 1990s. Its strength is that it means that small States know that they will not have to meet a disproportionate share, while large States know that small States cannot argue for increased expenditure without having to accept a reasonable share of the burden.
43. There is provision that, if the budget for a financial year is not agreed a month before the start of that year, the Executive Secretary can demand an interim payment of 25% of the contributions payable under the last approved budget. It has never been necessary to use this emergency arrangement.
44. The allocation of contributions to special budgets has to be agreed separately. For the annual ICES special budget, a variant of the approach described in paragraph 39 is used. The European Community, Luxembourg and Switzerland do not participate. France, Germany and the United Kingdom pay 7.5% each, Belgium, Denmark, Finland, Netherlands, Norway, Spain and Sweden pay 4% each and Iceland, Ireland and Portugal pay 2.5% each. The remaining 42% is divided according to the UN scale, without any cap. This allocation was also used for the QSR 2000 special budget.
45. Contributions to the Bonn Agreement budget are based on the same approach (without, of course, the special North Sea tranche), except that the “cap” is at 20%, not 22%.

⁴ After deducting the special contribution from the United Kingdom towards the costs of office accommodation.

Funds

46. OSPAR maintains two funds: the General Fund and the Working Capital Fund.

47. The General Fund is a way of dealing with the balances between years. The execution of the budget usually produces a small surplus (estimating is always a little on the cautious side). This surplus is carried to the General Fund, and is then used to reduce the contributions of the Contracting Parties a year later, unless there is unanimous agreement to do something else (which has rarely been the case).

48. The Working Capital Fund is set at 10% of the total expenditure authorised in the general budget. If need be (and there usually is need), the general budget includes a provision to top up the Working Capital Fund. The Fund has two purposes:

- a. to provide a buffer against failure to pay contributions. For various reasons, some States can be several months late in paying their contributions. Some provision is needed to meet expenditure in the meantime;
- b. to provide for unexpected expenditure. If there is a need for an unforeseen expenditure which is not covered by a heading in the approved budget (or if the unforeseen expenditure is covered by a heading in the approved budget, but the resources are not enough and there is not enough leeway to switch funds from another heading or chapter), the Executive Secretary can propose a supplementary budget. This needs unanimous approval, but the approval can be tacit – if no objection is made within three weeks of the submission of the supplementary budget, it is approved. This system has not yet been used by OSPAR, but was used by BONN when there was a proposal for a new project. The supplementary budget was not approved.

Conclusion

49. The system for financing OSPAR and BONN relies very heavily on the direct inputs of Contracting Parties to carry out projects. Project work is not in general financed through the collective budgets of the organisations. There is likely to be a need to move towards the collective budget financing more work on the managing and assessment of data on the marine environment. But the description shows some of the problems that have to be faced in financing a small, free-standing international organisation and the ways in which these problems have been successfully resolved in one case.