

COUNCIL  
113th session  
Agenda item 4(d)

C 113/4(d)  
16 November 2014  
Original: ENGLISH

## RESOURCE MANAGEMENT

### RESULTS-BASED BUDGET: OUTLINE OF BUDGETARY IMPLICATIONS FOR 2016-2017

#### Note by the Secretary-General

#### SUMMARY

*Executive summary:* This document sets out the Secretary-General's preliminary budget outline for the 2016-2017 biennium prepared on the basis of transparent resource allocation and his continued pursuit of Mixed Zero Growth targets. The regular budget is proposed at Zero Nominal Growth for 2016 and Zero Real Growth of 1.6% for 2017. For other IMO budgetary Funds, the proposals are set at a biennial increase of 4.9%, catering, inter alia, for improvements to conference room facilities. Overall, the resource requirement for the next biennium under all IMO Funds (regular budget plus other IMO Funds) is proposed to be set at £92.8 million, representing a 2.5% increase for 2016 and a 0.9% cut for 2017. However, the assessment on Member States to finance the estimated regular budget resources will see no increase at all in each year of the next biennium, taking into account offsetting income from prospective sources.

*Strategic direction:* 4

*High-level action:* 4.0.3

*Planned output:* 4.0.3.1

*Action to be taken:* Paragraph 62

*Related documents:* C 109/4(e); C 112/5/1; C 113/4(c) and resolution A.1063(28)

## I INTRODUCTION

### LEGAL FRAMEWORK OF THE BUDGETING PROCEDURE

1 It will be recalled that the Council, at its 105th session in November 2010, considered issues concerning the alignment of the Organization's planning and budgeting cycles contained in document C 105/3(a). In approving option B presented therein, setting out an overlapping framework for implementation as from the 2012-2013 biennium, the Council approved the

consequential amendments to the Organization's Financial Regulations, which were endorsed by the Assembly in resolution A.1042(27), in December 2011, as follows:

REGULATION 3.4 The Secretary-General shall submit, in the second year of the biennium, an outline of the budgetary implications of the projected High-level Action Plan for the following biennium to the regular session of the Council prior to the regular session of the Assembly.

REGULATION 3.5 The Secretary-General shall transmit the proposed budget for the following biennium to all Member States, not later than one month prior to the opening of the regular session of the Assembly in accordance with the Rules of Procedure of the Assembly. The proposed budget shall be submitted to the Assembly by the Council, together with the comments and recommendations of the Council thereon, following its extraordinary session prior to the regular session of the Assembly.

2 Under the adopted option B (Overlapping framework), the planning and budgeting procedures are as follows:

- .1 development by the Secretary-General of the draft Strategic Plan (SP), High-level Action Plan (HLAP) and the results-based budget (RBB) between March and September of Year 2, based initially on the draft planned outputs (POs) submitted to the Council and committees for approval;
- .2 adjustment of the three drafts, as necessary, on the basis of the planned outputs actually finalized by the Council and committees during the period April to July of Year 2 (hence the overlap);
- .3 the Council to meet in June/July of Year 2 (instead of June, as was the previous case) at which time it could consider, based on the progress made up to that time by the Secretary-General in developing the three drafts, any new trends, developments and challenges facing the Organization; an indication of any significant changes to IMO's strategic directions that may be required; and an outline budgetary projection for the next biennium;
- .4 finalization of the three drafts by the Secretary-General by September of Year 2, taking into account any direction and guidance provided by the Council as a result of the foregoing;
- .5 examination of all three drafts by the Council's Working Group on the Organization's Strategic Plan (CWGSP) in September/October of Year 2 and their subsequent transmission to the Council, with the Group's comments and recommendations; and
- .6 review of all three CWGSP drafts by the Council at its extraordinary session immediately prior to the Assembly (December of Year 2), with subsequent adjustments by the Secretary-General as may be required, and final adoption by the Assembly of three corresponding resolutions, in December of Year 2.

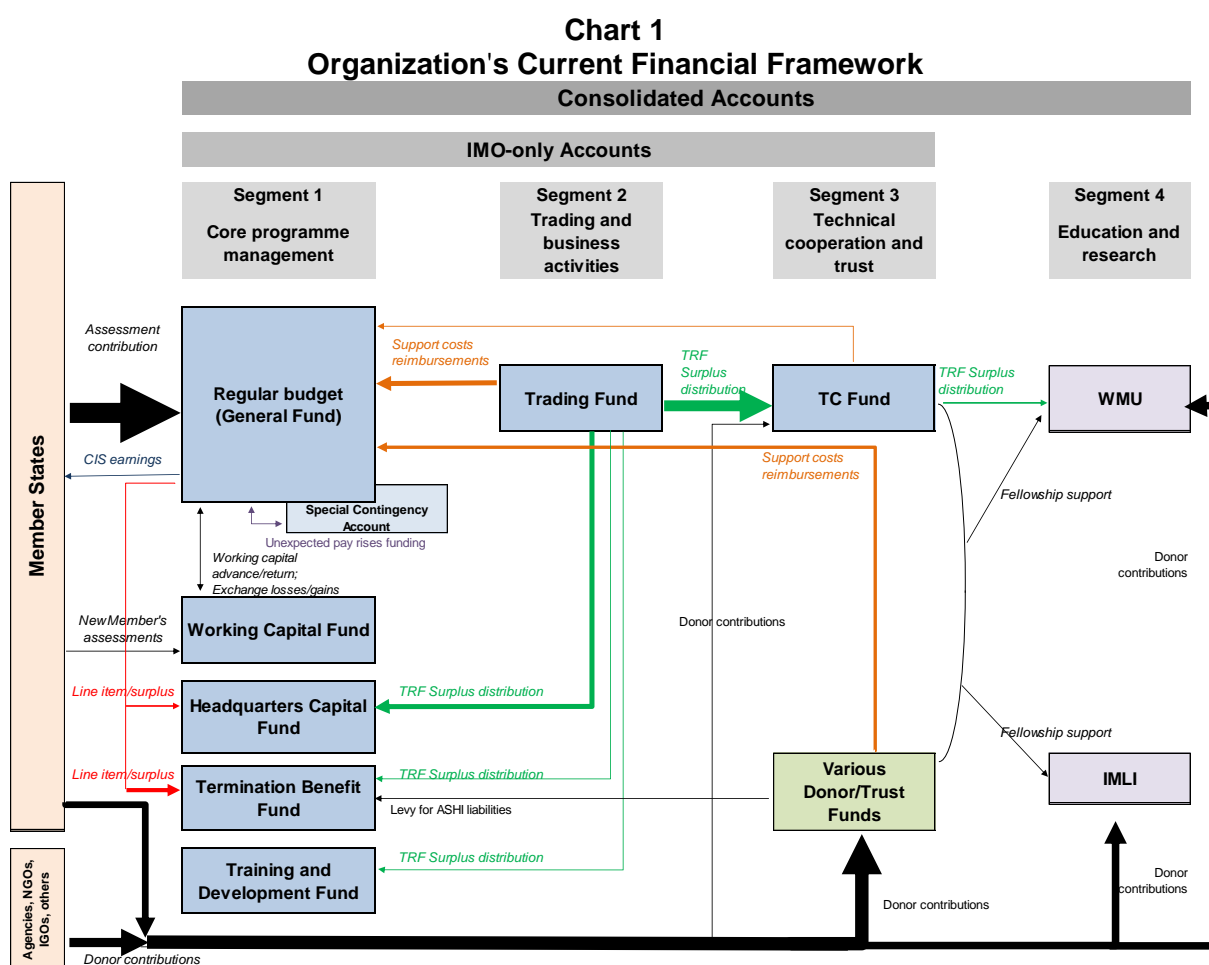
3 In line with the above sequence, all the necessary actions were taken seamlessly in the preparation and approval of the budget for the current biennium. Now, for the preparation of the budget proposal for the forthcoming 2016-2017 biennium, the same procedure will need to be followed. However, this budget outline document has been prepared and submitted to the Council one regular session earlier, on the understanding that there would be no significant volume change in the Organization's work programme for the next biennium, other than the

institutionalization of the Member State Audit Scheme, while also taking into account the continued exercise of the Secretary-General's Mixed Zero Growth (MZG) budget policy and ongoing constraints in public expenditure faced by Member States, some of which have previously favoured Zero Nominal Growth (ZNG), or Zero Real Growth (ZRG), particularly for the Organization's regular budget. In this context, because of the predefined upper resource limits of ZNG or ZRG budgets, there are constraints to the determination of additional resource requirements and, in reality, it becomes a matter of practical allocation or distribution of the capped resources to activities that must necessarily be prioritized.

4 Hence, this document sets out the Secretary-General's preliminary budget outlines and his broad directions in the preparation of the budget proposal for the next biennium, which will, once endorsed, or adjusted as necessary, by the Council, form the basis of more concrete RBB proposals to be submitted to C 114, which will again be linked to the draft SP and HLAP for the next biennium, for submission to the twenty-eighth extraordinary session of the Council.

### OUTLINE OF THE CURRENT BUDGET/FINANCIAL STRUCTURE

5 The delivery of Organization's work programmes is currently carried out under a financial structure consisting of seven "internal" Funds and various "external" donor/trust Funds. In the financial accounts of the Organization, all these funds are categorized under four segments, as illustrated in chart 1 below, which also shows the flow of funds among the players and stakeholders of the Organization.



- 6 The four segments constituting the Organization's financial framework and accounts are:
- the Core programme management segment, which incorporates the regular budget/General Fund; the Working Capital Fund; the Headquarters Capital Fund; the Termination Benefit Fund and the Training and Development Fund;
  - the Trading and other commercial business activities segment;
  - the Technical cooperation and trust funds segment, containing the Technical Cooperation Fund and all donor/trust Funds; and
  - the Education and research segment, presenting the accounts of the World Maritime University (WMU) and the IMO International Maritime Law Institute (IMLI) in accordance with IPSAS.

7 The Organization's regular budget activities are mainly funded by assessments on its Member States and Associate Members. The annual budgets approved by the Assembly are reduced by any other anticipated income such as:

- reimbursements of administrative support costs from the Trading Fund (currently charged at 13% of annual expenditure), the Technical Cooperation Fund (support costs at 5% of expenditure) and various donor/trust Funds (5% to 13% support cost charges, depending on the type and/or source of funding);
- available transfers from the surplus of the General Fund and/or other Funds, in particular from the Trading Fund; and
- miscellaneous income, including investment returns (interest), subletting income, etc.

8 In the General Fund, a Special Contingency Account was established from 1 January 2014 as decided by the Assembly in resolution A.1063(28), with initial funding of £2 million secured from expenditure savings generated in the regular budget in the 2012-2013 biennium, in order to address unavoidable overruns in the regular budget staff costs that may arise from ICSC-mandated increases beyond the assumed rates of increase embedded in the appropriation for staff costs.

9 Interest earnings from assessment contributions are returned to Member States in accordance with the Organization's Contribution Incentive Scheme (CIS).

10 The Working Capital Fund is replenished by assessments on new Members of the Organization (i.e. only the part assessed on Members on 1 January 1976). To avoid currency fluctuations affecting the budget, all United States (US) dollar-based expenditure is ring-fenced at the budgetary exchange rate and any gains or losses arising from the difference in the budgetary and actual rates are accounted for under the Working Capital Fund, as approved by the Assembly in resolution A.1039(27).

11 The funding sources of the Headquarters Capital Fund are currently threefold: a line item reflected in the regular budget for replenishment; an allocation (currently 12.5%) of the annual cash surplus of the Trading Fund as stipulated in resolution A.1063(28); and interest accrued on the financial assets of the Fund. There have previously been transfers into the Headquarters Capital Fund from the cash surplus of the General Fund.

12 The Termination Benefit Fund is mainly funded by a regular budget line item for replenishment and by interest accrued under the Fund. However, as the Assembly decided, by means of resolution A.1063(28), to account centrally for the post-employment benefits and liabilities of all staff under the Termination Benefit Fund, regardless of their funding source, 1% of the Trading Fund surplus is now distributed to the Termination Benefit Fund also. This compares to an 8.5% allocation from the annual cash surplus of the then Printing Fund, which ceased when the Printing Fund was expanded to become the Trading Fund in 2010. In addition, to address the post-employment liabilities related to personnel under the Technical Cooperation Fund or donor/trust Funds, the Assembly decided also that the Organization should set a levy of 7% on the salaries of staff under those Funds, so that the collected levy can be pooled under the Termination Benefit Fund for their benefit.

13 The funding of the Training and Development Fund is currently made up of an allocation (1.5%) from the annual cash surplus of the Trading Fund, as stipulated in resolution A.1063(28); and interest accrued under the Fund.

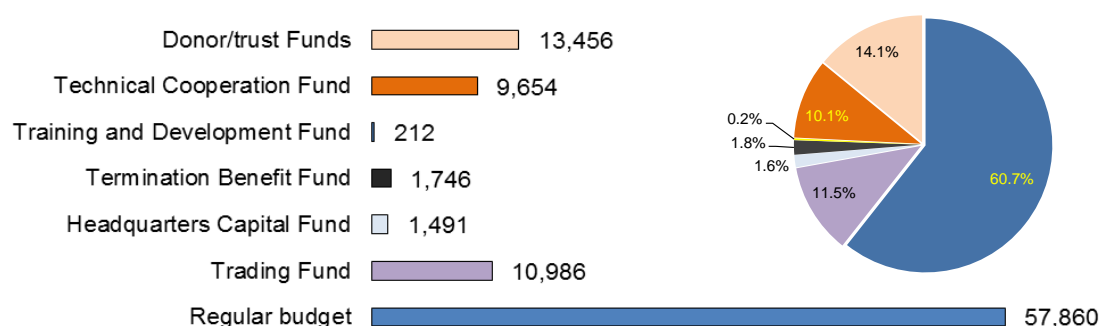
14 The Trading Fund is a self-financing entity, the operating expenditure of which is offset by the income generated through the sale of the Organization's publications and the provision of catering services. However, as some administrative back-stopping costs (finance and budget, human resources management and ICT services) are borne by the regular budget, support costs are reimbursed to the regular budget at a 13% rate on actual expenditure incurred. The annual cash surplus of the Fund is distributed to the various Funds of the Organization as decided by the Assembly in resolution A.1063(28).

15 Resources of the Technical Cooperation Fund come mostly from an allocation (currently 80%) of the annual cash surplus of the Trading Fund, as stipulated in resolution A.1063(28), as well as interest accrued under the Fund. Occasionally, contributions from Member States are added, in particular, donations of their earnings under the CIS. To support the financing of WMU, the Assembly has also decided, in resolution A.1063(28), to distribute to the University 5% of the 80% of the Trading Fund cash surplus initially allocated to the Technical Cooperation Fund. This is an interim measure, designed to support the University facing a recent period of financial difficulty, until the Assembly decides otherwise.

16 Various donor/trust Funds have been established to manage monies allocated to the activities of the Integrated Technical Cooperation Programme (ITCP) and other organizational programmes. Such contributions are made by Member States, governmental agencies, intergovernmental bodies and other public, private and non-governmental sources. Support cost income, earned through third party agreements with donors on the technical cooperation activities, is used to fund activities provided in the regular budget.

17 Chart 2 below shows the composition of the aforementioned Funds in terms of actual expenditure incurred in the last biennium. Approximately 61% of total IMO expenditure (£95.4 million) was incurred under the regular budget (60.7%, £57.86 million), while the Organization's ITCP and other extra-budgetary donor/trust programmes accounted for almost a quarter (24.2%, £23.11 million). Expenditure under the Trading Fund amounted to £10.97 million, representing 11.5% of the total and the remaining three Funds (Headquarters Capital, Termination Benefit and Training and Development Funds) constituted 3.6%, with total expenditure amounting to £3.45 million for the last biennium.

**Chart 2**  
**Scale and Composition of actual expenditure in the previous biennium**  
(expressed in £'000)



## II OUTLINE OF THE REGULAR BUDGET

### MIXED ZERO GROWTH BUDGET

18 The Council may wish to recall that when the Secretary-General presented an outline of his budget proposal for this biennium, he indicated that it was his intention to set the delivery of MZG as a goal, particularly in the regular budget, which aimed at delivering ZNG for a year, followed by ZRG in the next, with a return to ZNG thereafter. The Secretary-General's MZG budget policy was supported by most of Member States and the final budget for the 2014-2015 biennium was approved on that basis.

19 The Secretary-General wishes to continue applying his MZG budget policy in the preparation of the budget proposal for the forthcoming 2016-2017 biennium, namely no increase in the budget for 2016 and a small reflection of inflation/price changes for the 2017 budget. This means that, for both 2016 and 2017, additional resource requirements arising from any volume increase need to be absorbed within the same budget amount set for 2015, through constantly undertaking priority assessments, such as acute prioritization of existing work programmes, in order to redeploy resources, as necessary and appropriate, to high priority programmes and functions. In addition, any increase resulting from movements in price factors (inflation and salary/benefit changes) in 2016 will need to be offset by generating austerity savings, unless volume cuts are explored through prioritization and efficiency improvement. On the other hand, such price factors will be reflected in the 2017 budget, but only in a limited manner due to overall budgetary constraints and to avoid any sharp increases.

20 In view of the above, the principal consideration when preparing the budget proposal for the next biennium is an initial assessment of prospective changes in the volume of cost elements and in price factors.

### PERSONNEL COSTS

21 As previously reported to the Council, the major component of the Organization's regular budget resource requirements is the cost of personnel, which account for 81% (£52.1 million) of the approved budget for this biennium (£64.3 million). Personnel costs are comprised of the costs of staff occupying approved posts (staff complement), and other personnel costs (non-post related personnel costs such as overtime, temporary assistance, consultancy, interpreters and external translators). The former account for 75% (£48.25 million) of the regular budget, while the latter represent 6% (£3.84 million). The staff complement approved under the regular budget for the 2014-2015 biennium is 265, comprising 145 posts in the Professional and higher categories and 120 posts in the General

Service category. This represents a reduction of 33 posts when compared with the complement of 298 (comprising 147 Professional and 151 General Service posts) approved for the last biennium.

**Table 1**  
**Regular budget personnel costs for the 2014-2015 biennium**

	Staff costs	Other personnel costs	Mission travel	General operating expenses	Funds replenishment	Total
2014 (£million)	23.73	1.92	0.30	4.96	0.77	<b>31.68</b>
2015 (£million)	24.52	1.92	0.31	5.09	0.78	<b>32.62</b>
<b>2014-2015 (total)</b>	<b>48.25</b>	<b>3.84</b>	<b>0.61</b>	<b>10.05</b>	<b>1.55</b>	<b>64.30</b>
%	75%	6%	1%	16%	2%	100%
	<b>Personnel costs subtotal</b>		<b>Non-personnel costs subtotal</b>			
	<b>£52.09m 81%</b>		<b>£12.21m 19%</b>			

22 Staff costs are fixed costs and, once the posts are filled, the corresponding costs are generally inclined to rise due to statutory increases such as annual step increments. The price factors of staff costs are therefore not controllable by the Organization, as changes in the scales of salary and pensionable remuneration and in various benefits are promulgated by the International Civil Service Commission (ICSC) after endorsed by the United Nations General Assembly, and post adjustment allowances for each duty station are closely linked to the local cost of living indices, which are affected by the country's economy. In this context, to minimize the impact of uncontrollable fixed costs associated with the staff complement, and also to respond flexibly to any seasonal, periodic or unusual changes in the volume of work programmes, it is often appropriate to use other types of personnel to carry out functions that are not permanent. Other personnel costs are variable costs, depending on the volume of the work programme and price factors associated with them, are not rigid, and are negotiable according to market conditions, even if pay levels are linked to United Nations pay scales.

### Staff costs (posts)

23 As a regulatory, rule-making body, the Organization's work programme volume is unquestionably dependent on the meetings' programme planned for a biennium. The estimate of human resource requirements under the results-based budgeting process should be aligned with the planning process for a new biennium, as noted in paragraph 2 above. Therefore, while it is too early to get a full picture of the work programme for the next biennium (at 1 November 2014, only a total of 14.2 meeting weeks had been convened out of 32.6 meeting weeks planned for the current biennium), it is assumed that similar levels of workload and resource requirements will be necessary for that purpose, except for the auditing of Member States, which is set to be mandatory from 2016. In this context, should there be a significant reduction in the planned meetings' programme, a proportion of the work-time of staff and other personnel associated with the conduct of meetings would no longer be needed for such purposes and, therefore, that proportion should be either assigned to other purposes or deducted from the overall resource requirement. In practice, since the work-time of staff represents fixed costs, only variable costs (i.e. other personnel) have the flexibility of being added to or reduced, as circumstances may demand. Accordingly, should there ever be a need to increase the meetings' programme and, consequently, the human resources required to service it, the Secretary-General would intend to accommodate the requirement initially by buying-in the services of other personnel, rather than through the creation and filling of new posts.

24 The meetings' programme approved for the current biennium with full interpretation services entails 32.6 weeks (17.2 weeks for 2014 and 15.6 weeks for 2015) under the new Sub-Committee structure. There are, however, several intersessional meetings planned

currently for a total of 19.2 weeks for this biennium but those are held without interpretation and with documentation in original language only. Other events not in the meetings' programme include expert working groups (e.g. GESAMP Ballast Water; GESAMP-EHS; and GBS), which also require considerable staff work time to prepare, service and report on. Therefore, based on the meetings' workload carried out so far in this biennium, the same number of meeting weeks is at present anticipated for the next biennium, namely: one meeting week in each year of the next biennium for all seven Sub-Committees, the London Convention/Protocol and the Legal Committee; one meeting week only in 2016 for the Facilitation Committee; three sessions each for the Maritime Safety Committee (2.6 and 1.6 weeks respectively for 2016 and 2017) and the Marine Environment Protection Committee (2 and 1 weeks respectively for 2016 and 2017); one session of three days for the Technical Cooperation Committee in each of 2016 and 2017; four regular (3.2 weeks in total) and one extraordinary (two days) session of the Council; and eight days of the Assembly in 2017. With respect to intersessional and other IMO meetings that are not specifically quantified, it should be recalled that, while they do not require interpretation and translation services, they still need document services and conference facilities, together with the contribution of work time by staff in the associated Divisions, not to mention the cost of participation for Members and observers.

**Table 2**  
**Approved and proposed meeting weeks**

	Approved meeting weeks			Approved meeting weeks			Proposed meeting weeks		
	2012	2013	Total	2014	2015	Total	2016	2017	Total
Governing bodies	1.8	3.2	5.0	2.0	3.2	5.2	2.0	3.2	5.2
Committees	6.2	5.2	11.4	7.2	4.2	11.4	7.2	4.2	11.4
Sub-Committees	8.0	9.0	17.0	7.0	7.0	14.0	7.0	7.0	14.0
London Convention/Protocol	1.0	1.0	2.0	1.0	1.0	2.0	1.0	1.0	2.0
Diplomatic conferences	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>17.6</b>	<b>18.4</b>	<b>36.0</b>	<b>17.2</b>	<b>15.4</b>	<b>32.6</b>	<b>17.2</b>	<b>15.4</b>	<b>32.6</b>

25 Another factor that affects the volume of personnel resource requirements is whether there are any new mandates applicable for the next biennium. The Council may recall that, in the context of the Secretary-General's long-term plan for the future financial sustainability of the Organization, contained in document C 109/4(e), it was acknowledged that, during the period reviewed (2013-2021), the Organization would take on new mandates, including the mandatory audits, the resource requirements of which had to be taken into account in the context of a real growth scenario. The basic assumptions were that, for the implementation of mandatory audits, no additional budget for new posts would be requested and the required additional Secretariat resource would be assured through redeployment and/or secondment from Member States, with all related travel/logistic costs for audits and follow-up visits being covered by the Organization's regular budget.

26 Taking into account the anticipated commencement of mandatory audits in 2016, the Council considered the related resource options and their implications, as provided in document C 112/5/1, and approved option 3 (a mix of auditors from Member States and the IMO Secretariat) requiring a staff complement of nine, comprising six Professional and three General Service posts (document C 112/D). In preparation for the commencement of mandatory audits and taking into account the decisions of the Council, the Secretary-General has established within the Secretariat a Department for Member State Audit and Implementation Support, which will be fully staffed through an internal reorganization involving transfers and relocation of existing posts and staff and the recruitment of new staff through the established open recruitment process. This is an important element of the Secretary-General's succession and evolution plans and, as a result, the additional human resource requirement for the mandatory Scheme will be fully addressed within the existing



staff complement. Consequently, the staff complement in the regular budget for the next biennium remains at the same overall corporate level of 265, although the individual Divisional workforces have been altered, with some reclassification of posts and categories, due to the above-mentioned reorganization, redeployments, transfers and prioritization of work programmes.

27 With regard to work associated with goal-based standards (GBS) for new ship construction, the Assembly included a relevant strategic direction in the Organization's Strategic Plan (resolution A.1037(27)) and in the High-level Action Plan (resolution A.1038(27)). The resource requirement for undertaking GBS work or providing assistance to GBS auditors is growing and thus the Secretary-General has decided to redeploy a Professional post for this purpose through a rearrangement of certain Secretariat functions. A further assessment of the related workload will be made during the next biennium, with a view to identifying any additional human resource requirements.

#### Price aspects

28 The initial outcome of the ICSC's ongoing comprehensive review of the United Nations common system compensation package, which will no doubt affect the estimation of staff costs in the future, is expected to be reported in 2015, although substantial progress has been made to date with that review process, as noted in document C 113/4(a). Thus, in his budget estimation the Secretary-General has not considered any prospective change resulting from this exercise, because it is too early to assess at this stage the impact of the compensation package review, which addresses, in a holistic manner, the remuneration structure; competitiveness and sustainability; performance incentives; and other human resources issues.

29 On the other hand, the estimated staff costs have been adjusted to reflect the incidence of annual statutory increments and the age profile of the staff of the Organization. The former are payable in accordance with the Organization's Staff Regulations and Staff Rules and is equivalent to some 2.5% (Professional category) to 3.5% (General Service category) of the base salary. To cater for such adjustments, a budget provision of £0.9 million is required for a biennium.

30 Moreover, a place-to-place survey is undertaken on a five-yearly cycle by the ICSC to reassess the relative cost-of-living in London for Professional staff, and to review the comparative external public and private sectors' salary levels for General Service staff. In between the five-yearly cycle, annual interim adjustments are normally made in accordance with general pay and price movements in the United Kingdom economy and in the exchange rate of the pound sterling against the United States dollar. The regular surveys for the Professional and General Service categories are scheduled for 2015. However, since, as noted in paragraph 28 above, the compensation package review may include modifications to the post adjustment system, the Professional category survey is most likely to be postponed to after 2015. Accordingly, in line with past practice, prospective adjustments based on the survey results are not reflected in this budget outline, other than a nominal interim pay rise of 2% in each year of the biennium on the assumption that movements of the economic indices of the United Kingdom will be at the level of 2% for the Average Weekly Earnings (AWE), 2.5% for the Retail Price Index (RPI), with an exchange rate of \$1.6 to the pound.

31 Table 3 below shows the outline in staff costs estimated for the next biennium. In summary, the staff costs budget for 2016 is set at 1% below the corresponding figure approved for 2015, taking into account lower-than-expected pay rises in 2014 and, possibly, in 2015 as well. The overall biennial amount is expected to rise by 1.9% (£0.9 million).

**Table 3**  
**Staff costs budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
Gross staff costs (i)	24,030	24,818	24,576	25,429	48,848	50,005	1,157	2.4%
Staff turnover (ii)	300	300	300	550	600	850	250	41.7%
<b>Net staff costs (iii=i-ii)</b>	<b>23,730</b>	<b>24,518</b>	<b>24,276</b>	<b>24,879</b>	<b>48,248</b>	<b>49,155</b>	<b>907</b>	<b>1.9%</b>
Year-on-year changes	1.1%	3.3%	-1.0%	2.5%				

32 It may be recalled that, in presenting the budget proposal for the current biennium, the Secretary-General set a limit for staff costs equivalent to 75% of the regular budget. He aims to continue to limit the staff costs portion to the same 75% and, in this respect, has set a lapse factor applicable for 2017 at £0.55 million, by accounting for the projected vacant work-months of posts following staff retirement or separation and until recruitment processes are completed.

#### Other personnel (non-posts)

33 In the area of other personnel, which encompass meetings' personnel, temporary assistance, consultants and General Service overtime, recent expenditure figures show a decreasing trend for this cost element group. Actual costs for other personnel in the regular budget amounted to £1.65 million some ten years ago (2004), growing to £2.38 million in 2010 and falling back in 2013 to the levels of 2004 (£1.67 million), which means that there has been a significant drop in the actual volume of other personnel when considering inflation over the corresponding period. This decline may be found in: increased use of Associate Professional Officers (APOs) and seconded personnel from Member States; creation or filling of posts thereby reducing the reliance on short-term personnel; and continued exercise of the Secretary-General's review and reform measures as well as austerity and efficiency measures to reduce expenditure. On the basis of these patterns and taking account of additional non-human resources required to undertake mandatory audits from 2016 (see paragraph 37 below), the Secretary-General has decided to cut the resource allocation for other personnel by 13% (£0.5 million) for the next biennium.

**Table 4**  
**Other personnel budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
<b>Other personnel costs</b>	<b>1,922</b>	<b>1,922</b>	1,683	1,657	<b>3,844</b>	<b>3,340</b>	<b>-504</b>	<b>-13.1%</b>
Year-on-year changes	-0.6%	0.0%	-12.4%	-1.5%				

34 In view of tables 3 and 4 above, table 5 below summarizes total personnel costs for the next biennium, showing a biennial increase of 0.3% (£0.4 million) only, with the annual breakdown showing a 1.8% cut for 2016 and a 2.2% increase for 2017.

**Table 5**  
**Personnel costs budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
Net staff costs	23,730	24,518	24,276	24,879	48,248	49,155	907	1.9%
Other personnel costs	1,922	1,922	1,683	1,657	3,844	3,340	-504	-13.1%
<b>Personnel costs total</b>	<b>25,652</b>	<b>26,440</b>	<b>25,959</b>	<b>26,536</b>	<b>52,092</b>	<b>52,495</b>	<b>403</b>	<b>0.8%</b>
Year-on-year changes	0.9%	3.1%	-1.8%	2.2%				

**NON-PERSONNEL COSTS**

35 As noted in table 1 above, apart from personnel costs, other budgetary items of non-personnel nature in the regular budget account for 19% of the total regular budget for the current biennium, representing 1%, 16% and 2%, respectively, for mission travel (£0.61 million), general operating expenses (£10.05 million) and Fund replenishment (£1.55 million).

**Mission travel**

36 Actual costs of mission travel (airfares, daily subsistence allowances (DSA) and terminal expenses) have remained, over the last ten years, in between £0.20 million and £0.27 million with an average of £0.23 million, notwithstanding prevailing inflation rates. This is largely because of the stringent application of policies that IMO representation in inter-agency coordination meetings or other international forums, using the regular budget, should be pursued only when necessary with the preference being for invitations to be received with costs being chargeable to sponsors. In addition, rigorous efforts have been made to make economies and achieve value for money in mission travel, through forward mission planning, advance reservation, and use of restricted economy class tickets. In recent years, significant growth in use of videoconference and teleconference facilities has also contributed to the reduction in the volume of mission travel. With regard to the price aspect of mission travel, airfares are on the increase, together with other surcharges and expenses. Also, the fluctuation in United States dollar exchange rates affects the amount of DSA due to travellers since it is set in United States dollars but paid in pounds sterling.

37 Having said that, the overall estimate for "usual" mission travel for the next biennium can be confidently accommodated, with no increase, within the same amount set for the current biennium. However, there is a new work programme mandate under the regular budget that requires a significant increase in the volume of mission travel for the next biennium and onwards, and that is the auditors' travel under the mandatory Member State Audit scheme. As approved by the Council, this requirement is set at £0.3 million per annum under the regular budget, or £0.6 million for the next biennium, which is the same amount as the total "usual" mission travel budget for the current biennium. With this concern in mind, the Secretary-General will cut the "usual" travel budget by £75,000 for the next biennium on the basis of the current expenditure pattern as noted above, while fully reflecting the required £0.6 million for the audit missions. This results in a biennial increase of 86% (£0.525 million) in the mission travel budget, as shown in table 6 below. Nevertheless, the Secretary-General will seek to ensure that mission costs are saved through continuous application of the current efficiency measures now included in a revised Travel Manual which covers, in particular, advance booking, use of video/teleconference facilities and economy class tickets for missions of less than 7 hours' flight.

**Table 6**  
**Mission travel budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
Mission travel	300	308	559	573	608	1,132	525	86.3%
Year-on-year changes	-20.0%	2.5%	81.8%	2.5%				

38 One point the Council may wish to note is that there is an issue of offsetting carbon emissions generated from mission travel, under the campaign of a Climate Neutral United Nations. The Organization's carbon footprint, according to the United Nation's own GHG inventory, has averaged just over 4,000 tonnes per year for the period 2008-2012. Currently, both UNFCCC and UNOPS are offering Certificates of Emission Reduction (CERs) through joint procurement initiatives. The lowest price of these Certificates is estimated to be around \$0.7 per CER, which is

equal to one metric tonne of carbon dioxide equivalents. Prices are currently pretty low on the market as the demand is low right now. As the purchase of CERs is planned to be made through either UNFCC or UNOPS at a collective bargain price for an estimated annual volume, individually adding these costs to each mission journey would be very complicated and time-consuming. In view of this, it is proposed that the costs be charged to the miscellaneous budget line under the general operating expenses heading.

### General operating expenses

39 General operating expenses (GOE) comprise four broad categories of expenditure: Headquarters premises; information and communication technologies (ICT); office expendables; and ancillary provisions. For the running of the Headquarters premises, rent/rates/insurance are more or less fixed costs at some £2.5 million for a biennium, while the cost of utilities (electricity, gas, water and sewage) and contractual services (security, cleaning and physical maintenance of the building) are variable by volume and vulnerable to price changes, for which some £1 million and £2.8 million are budgeted, respectively, for this biennium. Notwithstanding steady increases in utility prices and contractual service costs in the United Kingdom economy, the Secretary-General continues to seek efficiency measures through demonstrating improved market-testing, consumption and cost control and, thus, only a biennial increase of 1% has been set for the next biennium.

40 Conversely, expenditure on ICT has rapidly increased in recent years, due to continued investments in both infrastructure and systems, including office automation equipment, and to the outsourcing of SAP hosting, support and development services. The increased use of advanced ICT has, nevertheless, contributed not only to the enhancement of efficiency but also to a significant reduction in the costs of office expendables, thus leading to more stable growth in the overall costs of ICT and office expendables, both of which totalled £3.09 million in the budget for the current biennium. Given this trend, the associated costs for the forthcoming biennium are assumed to increase by 6% (£178,000).

41 Member States are currently receiving two free copies of each new publication produced through the Organization's Trading Fund. However, the cost of shipping such publications is borne by the regular budget, since it is part of the cost of the Organization's relationship with its Member States. To save both printing and shipping costs of several hundred extra copies of each publication, the Secretary-General proposes that the practice of automatically supplying two copies of every publication should be discontinued and, only on request by Member States, one free copy or electronic access to publications should be provided.

42 In respect of ancillary provisions, which cover shared costs of jointly-financed United Nations bodies, external audit fees, recruitment expenses and public information and outreach costs, the overall volume, particularly in recruitment and public outreach, has grown and is likely to continue in the next biennium.

43 In summary, table 7 below outlines the required resources for general operating expenses for the next biennium, with a biennial increase of £0.32 million (3.2%), representing, in year-on-year terms, increases of 0.8% for 2016 and 2.2% for 2017.

**Table 7**  
**General operating expenses budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
<b>General operating expenses</b>	<b>4,966</b>	<b>5,090</b>	<b>5,130</b>	<b>5,245</b>	<b>10,056</b>	<b>10,375</b>	<b>319</b>	<b>3.2%</b>
Year-on-year changes	-2.6%	2.5%	0.8%	2.2%				

## Funds replenishment

44 Finally, the regular budget includes line items to provide monies that are required to cover the work programmes in other Funds of the Organization. In previous years, funds were provided to support TC activities and the Training and Development Fund, but since 2008, the line items are limited to the replenishment of resources for the Headquarters Capital Fund and the Termination Benefit Fund, the provision for which, in recent biennia, has not been more than £1.6 million. However, as may be noted from paragraphs 53 and 54 below, there is need for a significant increase in the next biennium's replenishment to meet infrastructure investment requirements, as well as the Organization's post-employment liabilities in compliance with IPSAS.

**Table 8**  
**Fund replenishment budget outline for the 2016-2017 biennium**

Regular budget	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
<b>Funds replenishment</b>	<b>768</b>	<b>780</b>	<b>970</b>	<b>800</b>	<b>1,548</b>	<b>1,770</b>	<b>222</b>	<b>14.3%</b>
Year-on-year changes	-4.0%	1.6%	24.4%	-17.5%				

## Summary of the regular budget outline for the 2016-2017 biennium

45 In summary, the proposed budget allocation by object of expenditure for each year of the next biennium, as compared with the budgets approved for the current biennium, is outlined below at table 9. The staff costs estimation for 2016 and 2017 cover net staff costs reflecting lapse factors, as noted in table 3 above. The staff cost portion is set at 74% of the ZNG budget for 2016 and at 75% of the ZRG budget for 2017. The portion of personnel costs for the next biennium is set at 80% of the total proposed budget, which is 1% point below the portion set for the current biennium.

**Table 9**  
**Proposed regular budget outline for the 2016-2017 biennium**

Regular budget	Approved Budget		Proposal		Biennial Total		Biennial Changes	
	2014	2015	2016	2017	2014-15	2016-17	£'000	%
Net staff costs (a)	23,730	24,518	24,276	24,879	48,248	49,155	907	1.9%
Other personnel (b)	1,922	1,922	1,683	1,657	3,844	3,340	-504	-13.1%
Mission travel	300	308	559	573	608	1,132	525	86.3%
General operating expenses	4,966	5,090	5,130	5,245	10,056	10,375	319	3.2%
Funds replenishment	768	780	970	800	1,548	1,770	222	14.3%
<b>Total</b>	<b>31,686</b>	<b>32,618</b>	<b>32,618</b>	<b>33,154</b>	<b>64,304</b>	<b>65,772</b>	<b>1,468</b>	<b>2.3%</b>
<b>Year-on-year changes</b>	<b>0.0%</b>	<b>2.9%</b>	<b>0.0%</b>	<b>1.6%</b>				
<b>Staff costs portion (a)</b>	<b>75%</b>	<b>75%</b>	<b>74%</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>		
<b>Personnel costs portion (a+b)</b>	<b>81%</b>	<b>81%</b>	<b>80%</b>	<b>80%</b>	<b>81%</b>	<b>80%</b>		

46 It should be noted that the outline of the proposed budget is based on the assumption of movements in various parameters affecting pay and price changes: 2.5% inflation (RPI); 2.0% pay rises in addition to statutory increments; and the operational United Nations exchange rate for November 2014 (\$1.6 to the pound sterling). If the actual economic indices move unfavourably against the assumed levels in the next biennium, the Organization could face the risk of an overrun in budget management, unless cost increases resulting from external and uncontrollable factors are absorbed within the approved budget through various ad hoc austerity and efficiency measures. If the outcomes of the place-to-place salary surveys are assessed to be over and above the assumed movement in the price factors, thus leading to an overrun even after that is offset by austerity and

efficiency measures, the use of the Special Contingency Account, which was established with an initial funding of £2 million in January 2014 by means of resolution A.1063(28) as a new mechanism to address such cases, will be explored.

### Assessment levels for the next biennium

47 Member States' assessments for the next biennium are not only dependent on the proposed budget shown in table 9 above, but are also affected by the extent of any anticipated offsetting income, including reimbursements, and the scope for optional transfers to the regular budget from the reserves of any other Funds of the Organization. As may be seen in table 10 below, the Secretary-General plans to increase the offsetting income to a level that will permit Zero Nominal Growth in the membership's assessment in both years of the next biennium.

48 The offsetting income anticipated for the next biennium is £5.54 million, representing a 36% increase on the amount set for the current biennium of £4.07 million. Reimbursements from the Trading Fund, for administrative backstopping costs, are estimated to remain almost the same on the basis of the Fund's expenditure plan, which seeks to cut some operational costs through market-testing and efficiency improvements so that additional cost pressures from inflation can be fully offset (see paragraph 57 below). The Organization also receives annual support cost income (at the rate of up to 13% levied on the total expenditure of donor/trust fund projects and 5% on the TC Fund delivery) to offset the administrative and technical backstopping costs of projects<sup>1</sup>. In light of the outturn in recent years and of forecast delivery, the support cost income is estimated at the same level as for the current biennium. In turn, miscellaneous income, which comprises rental income from the subletting of meeting facilities and office space, as well as interest earned from the investment of funds not needed for immediate requirements, is also estimated to remain at the same level, largely because recent interest earnings from regular deposits have been extremely limited. In addition, overall interest earnings are further reduced through their redistribution to Member States under the Contribution Incentive Scheme (CIS), the abolition of which was not endorsed by the Council at its 110th session, when it reviewed the Secretary-General's proposed budget outline for this biennium.

---

<sup>1</sup> Programme support costs are collected to offset administrative and technical backstopping services, such as accounting, ICT, human resources management, general services/facility management, which are rendered in the implementation of programmes financed by non-regular budget resources for a particular period. These costs are of an overhead nature and therefore cannot normally be attributed to the direct costs of a particular activity. The estimation of support cost income needs to be based on the programme delivery level for the current biennium, and adjusted to account for the prospective level of programme implementation during the ensuing biennium. In order to achieve a reasonable recovery rate commensurate with the level of the Organization's overhead costs, the applicable rates, calculated normally as a percentage of eligible costs (programme resources expended on a modified cash basis), are as follows:

- ✧ Standard rates for the activities and projects funded by donor/trust funds and the Trading Fund: 13%
- ✧ Activities and projects funded by other United Nations system agencies and institutions: 7%
- ✧ Associate Professional Officer (APO) programmes: 12% when the donor reimburses the Organization fully for all costs incurred and the APO is engaged under a special fixed-term contract and paid the salary, benefits and entitlements of a regular staff member.
- ✧ Gratis personnel: US\$10,000 per annum when there are no financial obligations for the Organization vis-à-vis the gratis personnel or the donor, and the personnel receives official travel costs, his/her salary, benefits and entitlements directly from the donor.
- ✧ Costs incurred under multi-donor trust funds<sup>8</sup> or the Technical Cooperation Fund: 5%
- ✧ Activities/projects which consist only of procurement of supplies and equipment: 5%
- ✧ Scholarships/fellowships: 5%
- ✧ To the extent that the activities of a trust fund do not warrant the levy of full support costs, the Secretary-General or the Director, Administrative Division, may waive part or all of the applicable support costs.

**Table 10**  
**Offsetting income and assessment for the 2016-2017 biennium**

Regular Budget	Approved(£'000)		MZG proposal(£'000)		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
<b>Expenditure estimates total (A)</b>	<b>31,686</b>	<b>32,618</b>	<b>32,618</b>	<b>33,154</b>	<b>64,304</b>	<b>65,772</b>	<b>1,468</b>	<b>2.3%</b>
Reimbursements from Trading Fund	670	684	663	686	1,354	1,349	-5	-0.4%
TC/Donor support costs income	750	750	750	750	1,500	1,500	-	0.0%
Allocation from Trading Fund surpluses	-	600	-	634	600	634	34	5.7%
Regular budget expenditure savings	-	318	939	818	318	1,757	1,439	452.5%
Miscellaneous income	150	150	150	150	300	300	-	0.0%
<b>Offsetting income total (B)</b>	<b>1,570</b>	<b>2,502</b>	<b>2,502</b>	<b>3,038</b>	<b>4,072</b>	<b>5,540</b>	<b>1,468</b>	<b>36.1%</b>
<b>Assessment (C=A-B)</b>	<b>30,116</b>	<b>30,116</b>	<b>30,116</b>	<b>30,116</b>	<b>60,232</b>	<b>60,232</b>	<b>0</b>	<b>0.0%</b>
<b>Year-on-year changes (%)</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

49 The assessment level does not preclude any proposal that the Council or Assembly may further wish to make, in particular, with respect to the alternative use of the resources available in the other Funds of the Organization. In this regard, the Council will recall that one of the options that reduced the Member States' assessment for 2015 was to use part (5%) of the Trading Fund surpluses of 2013 and 2014, as decided in resolution A.1063(28). The Secretary-General is of the view that this approach needs to be applied again for the second year (2017) of the next biennium, to which end a total of £634,000 from the Trading Fund surplus is projected to reduce the assessment.

50 Another option adopted to reduce the 2015 assessment even further, to practically zero growth, was by using part of the expenditure savings in the regular budget. Likewise, the Secretary-General aims again to recap the use of actual and prospective expenditure savings generated through continued stringent austerity or efficiency measures, together with savings arising from the lower-than-expected pay rises for both categories of personnel and the deferred recruitment to fill vacant posts. A total of £1.76 million, as compared to £0.32 million for this biennium, is required to enable the assessment to remain with no increase at all for both years of the next biennium.

### III OUTLINE OF THE FUNDS OF THE ORGANIZATION

51 The Assembly has established a number of budgetary Funds by means of various resolutions, which directly or indirectly affect the regular budget, namely: the Trading Fund; the Headquarters Capital Fund; the Termination Benefit Fund; the Training and Development Fund; and the Technical Cooperation Fund. In the resolutions, rules covering the required controls over each of the Funds are clearly established (i.e. the management of the funds, their purpose and the types of expenditure). The allocation of resources to undertake the activities supported by these Funds is submitted to the Council and Assembly as part of the biennial results-based budget proposals. Additionally, various donor/trust Funds are established by the Secretary-General in accordance with the Financial Regulations and Financial Rules (FRFR) of the Organization and the availability and allocation of resources under such Funds depends on their respective donor agreements and terms of reference. The use of donor/trust Funds is reported to the Council.

#### Proposed expenditure plan

52 Table 11 below shows the outline of the Secretary-General's proposed budget plan for the next biennium under the Organization's other Funds, excluding the various donor/trust Funds. Overall, the plan intends to increase resource requirements by 4.9% (£1.26 million),

which represents, in year-on-year terms, an 8.7% increase for 2016 and a 6.9% reduction for 2017. As may be seen in the table below, the major growth in the planned budget lies in the Headquarters Capital Fund and the Termination Benefit Fund.

**Table 11**  
**Proposed budget outline of the Organization's other Funds for the 2016-2017 biennium**

Other Funds of the Organization	Approved (£'000)		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
Trading Fund	5,824	5,944	5,763	5,964	11,768	11,727	-41	-0.3%
Headquarters Capital Fund	930	950	1,950	990	1,880	2,940	1,060	56.4%
Termination Benefit Fund	844	997	1,019	1,103	1,841	2,122	281	15.3%
Training and Development Fund	136	141	115	120	277	235	-42	-15.2%
Technical Cooperation Fund	5,159	4,841	5,150	4,850	10,000	10,000	0	0.0%
<b>Total</b>	<b>12,893</b>	<b>12,873</b>	<b>13,997</b>	<b>13,027</b>	<b>25,766</b>	<b>27,024</b>	<b>1,258</b>	<b>4.9%</b>
Year-on-year changes	-2.0%	-0.2%	8.7%	-6.9%				

53 The Council will recall that the approved budget for the current biennium under the **Headquarters Capital Fund**, which saw a reduction of 19% (£0.43 million) compared with the previous biennium, was based mainly on the prioritization and rationalization of new and recurrent investments, thus leading to a scale-down in investment in the Organization's ICT equipment, facilities and software development and, in particular, in the continuous upgrading and support of the SAP system. Conversely, the overall resource requirement under the Headquarters Capital Fund for the next biennium, as shown in the table above, is set to grow by 56% (£1.06 million) to £2.94 million, compared with the current biennium. This is mainly because of the requirement for the overall replacement of the microphone and simultaneous interpretation headphone system in the Main Hall and Committee Rooms 9 and 10, which is critical to the operation of conferences and meetings at the Organization. The system is of a design that the manufacturer ceased to make some years ago. Whilst the Organization holds spare parts for a number of elements of the system, it has become clear that there are no spares for the particular "core controller" version without which the system will not function. Unfortunately, the new replacement controller is not compatible with the old system and the technical maintenance contractor has tried to find a second hand spare of this model but has been unable to locate the particular version the Organization needs. The risk of a fault is low, although increasing with the system's age, but, the impact of a critical fault to the Organization's business is very high, particularly if it occurred during a meeting with many delegates present. As there are no spare parts, a failure of the central controller would be catastrophic as there would be no "quick fix" solution. The Organization has a busy meetings' schedule throughout the year, with a break only during the summer. This provides additional constraints for any project to change the sound system, making it different from a typical new build project. The total cost to replace the overall system is currently estimated to be a minimum of £2 million. The sound and simultaneous interpretation system does not fall under the category that can be covered by the Headquarters Lease Agreement with the Host Government, by means of which 80% of eligible capital costs are borne by the Host Government and the remaining 20% by the Organization. However, the Secretariat is now in discussion with the Government of the United Kingdom with a view to securing a cost-sharing formula among the two parties. In this context, the Council may note that the Headquarters Capital Fund budget shown in the table above reflects only a half (at least £1 million) of the associated estimate in 2016 and, if the Organization were to bear the full cost, the planned Headquarters Capital Fund budget would need to be increased by an additional £1 million. The Secretary-General, while seeking the Council's endorsement of the replacement of the sound and interpretation system in the next biennium, will provide an update on the funding and cost-sharing options to the Council's 114th session next year.



54 With respect to the **Termination Benefit Fund**, the biennial increase of 15% (£0.28 million) shown in table 11 above reflects two main components: the number of Professional staff expected to retire (9 in 2016 and 11 in 2017) on the basis of the Organization's staff age profile; and an increase in premium payments for the after service health insurance (ASHI) due to both inflation and growth in the number of retirees on the ASHI scheme (the number of retirees on the scheme is expected to grow to 259 by the end of 2017, from 226 as at the end of 2014).

55 The overall funding requirement for the delivery of the Integrated Technical Cooperation Programme (ITCP) in the 2016-2017 biennium is yet to be projected for consideration at the 64th session of the Technical Cooperation Committee (TCC), which is scheduled to be held in June next year. However, the allocation from the **Technical Cooperation Fund** to support the core activities of the ITCP for the next biennium, expressed in pounds sterling, is proposed to remain the same at £10 million for the new biennium, on the basis of the current expenditure pattern and trend, and also taking into account the reserves of the Fund. However, the detailed plan by region and year is subject to the outcome of the consideration by the sixty-fourth session of the TCC.

56 The reduced resource requirement under the **Training and Development Fund** is to cover the costs associated with actual demand for staff learning and development, particularly for the strengthening of performance, and reflects recent expenditure trends.

57 The small cut back again in the Organization's commercial activities under the **Trading Fund** means that the Secretary-General's review and reform measures, which led to a cut of 5% (£0.6 million) for the current biennium's budget, are still expected to generate efficiency savings to offset at least some cost increases arising from unavoidable price changes. In addition, various outsourcing options for certain commercial activities will continue to be explored through market testing. The reduced expenditure plan, combined with the increase in its target income of £0.73 million (3.1%) for the next biennium, is expected to improve the Trading Fund surplus (income over expenditure) by some £0.77 million (6.6%) compared with the plan approved for the current biennium (table 12). The surplus will be transferred, in accordance with the distribution formula approved by the Assembly in resolution A.1063(28), to other Funds, namely: 80% to the Technical Cooperation Fund (and out of the 80%, an allocation of 5% is ring-fenced to support the World Maritime University in building up a sufficient financial reserve balance through the University's Special Reserve Fund) 12.5% for the Headquarters Capital Fund; 1.5% for the Termination Benefit Fund; 1.5% for the Training and Development Fund; and the remaining 5% is used to reduce the assessment on Member States.

**Table 12**  
**Income and expenditure plan of the Trading Fund for the 2016-2017 biennium**

Trading Fund	Approved Budget		Proposal		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
Publishing income	10,931	10,506	11,200	10,900	21,437	22,100	663	3.1%
Catering income	557	663	560	720	1,220	1,280	60	4.9%
Miscellaneous income	350	336	350	340	686	690	4	0.6%
<b>Total Income (A)</b>	<b>11,838</b>	<b>11,505</b>	<b>12,110</b>	<b>11,960</b>	<b>23,343</b>	<b>24,070</b>	<b>727</b>	<b>3.1%</b>
Publishing expenditure	4,633	4,669	4,592	4,665	9,301	9,257	-45	-0.5%
Catering expenditure	1,191	1,275	1,171	1,299	2,466	2,470	4	0.2%
<b>Total Expenditure (B)</b>	<b>5,824</b>	<b>5,944</b>	<b>5,763</b>	<b>5,964</b>	<b>11,768</b>	<b>11,727</b>	<b>-41</b>	<b>-0.3%</b>
<b>Net surplus (C=A-B)</b>	<b>6,014</b>	<b>5,561</b>	<b>6,347</b>	<b>5,996</b>	<b>11,575</b>	<b>12,343</b>	<b>768</b>	<b>6.6%</b>

## IV SUMMARY CONCLUSIONS AND ACTION REQUESTED OF THE COUNCIL

### Summary of the proposed outline of the budgets

58 In drawing up his budget outline for the 2016-2017 biennium, the Secretary-General has again placed emphasis on the provision of a transparent framework of resource allocation and the reflection of opportunities for enhanced efficiency made through his review and reform process, whilst recognizing the Membership's public expenditure constraints and the imperative of making economies in all aspects of IMO's activities.

59 Based on the above, the regular budget is proposed at ZNG for 2016 and ZRG of 1.6% for 2017, the biennial effect of which is a 2.3% increase over the current biennium (see table 9). For other IMO budgetary Funds, excluding the various donor/trust Funds, the proposals are set at real growth of 8.7% for 2016 to reduce the critical risks in providing conference room facilities and a cut back of 6.9% for 2017, the biennial effect of which is a 4.9% increase on the budgets for the current biennium (see table 11). Overall, the resource requirement for the next biennium under all Funds of the Organization (regular budget plus other Funds) is proposed to be set at £92.8 million, representing a biennial increase of 3% (£2.72 million), reflecting a year-on-year rise of 2.5% for 2016 and a cut of 0.9% for 2017, as shown in table 13 below. However, it should be noted that the budget plan under the Headquarters Capital Fund is a very preliminary one and is subject to a successful outcome to discussions with the Host Government on the matter of cost-sharing of improvement to the conference room facilities.

**Table 13**  
**Proposed outline of budgets for the 2016-2017 biennium**

All IMO Funds	Approved (£'000)		Proposal (£'000)		Biennial Totals		Biennial Changes	
	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2014-15 (e=a+b)	2016-17 (f=c+d)	£'000 (g=f-e)	% (g/e)
<b>Regular Budget (A)</b>	<b>31,686</b>	<b>32,618</b>	<b>32,618</b>	<b>33,154</b>	<b>64,304</b>	<b>65,772</b>	<b>1,468</b>	<b>2.3%</b>
<b>Other IMO Funds (B)</b>	<b>12,893</b>	<b>12,873</b>	<b>13,997</b>	<b>13,027</b>	<b>25,766</b>	<b>27,024</b>	<b>1,258</b>	<b>4.9%</b>
Trading Fund	5,824	5,944	5,763	5,964	11,768	11,727	-41	-0.3%
Headquarters Capital Fund	930	950	1,950	990	1,880	2,940	1,060	56.4%
Termination Benefit Fund	844	997	1,019	1,103	1,841	2,122	281	15.3%
Training and Development Fund	136	141	115	120	277	235	-42	-15.2%
Technical Cooperation Fund	5,159	4,841	5,150	4,850	10,000	10,000	0	0.0%
<b>Total (C=A+B)</b>	<b>44,579</b>	<b>45,491</b>	<b>46,615</b>	<b>46,181</b>	<b>90,070</b>	<b>92,796</b>	<b>2,726</b>	<b>3.0%</b>
<b>Year-on-year changes</b>	<b>-0.6%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>-0.9%</b>				
<b>Member States assessment (D)</b>	<b>30,116</b>	<b>30,116</b>	<b>30,116</b>	<b>30,116</b>	<b>60,232</b>	<b>60,232</b>	<b>0</b>	<b>0.0%</b>
<b>Portion of assessment (E=D/C)</b>	<b>68%</b>	<b>66%</b>	<b>65%</b>	<b>65%</b>	<b>67%</b>	<b>65%</b>		

60 The assessment on Member States to finance the estimated regular budget resources is calculated at £60.23 million, taking into account offsetting income projections of £5.54 million, representing zero growth both in year-on-year and in biennial terms. The portion that the assessment on Member States represents, from the total for all Funds of the Organization, is thereby reduced to 65%, as compared with 67% for the current biennium.

61 On the basis of the Council's discussion and conclusions on the Secretary-General's budget outlines and various proposals, the Secretary-General will submit to the 114th session of the Council, his results-based budget proposal containing a preliminary version of the Secretariat's business plan for the next biennium and the results-based framework establishing a linkage between the outlined budget (as may be amended by the Council) and the draft

high-level actions and planned outputs for the next biennium. A draft Assembly resolution on the budget proposals for the next biennium may be provided to C 114, if the outcome of the Council's consideration of the present budget outline is positive, with no significant issues to be left for further discussion at C 114.

### **Action requested of the Council**

62 The Secretary-General invites the Council to consider his budget outlines and proposals and to:

- .1 endorse the Secretary-General's initial outline to set the Organization's meetings' programme at the same number of weeks as for this biennium (32.6 weeks) (paragraph 24 and table 2);
- .2 note the Secretary-General's action and approach to address additional human resource requirements arising from the mandatory Member State Audit scheme and the GBS activities (paragraphs 26 and 27);
- .3 approve the Secretary-General's proposal that the practice of automatically supplying two copies of every publication should be discontinued and, only on request by Member States, one free copy or electronic access to publications be provided (paragraph 41);
- .4 approve the regular budget outline by object of expenditure prepared on the basis of ZNG for 2016 and ZRG of 1.6% for 2017 (paragraph 45 and table 9), while noting the pay and price factors embedded in the calculation of the budget proposal for the next biennium (paragraphs 30 and 46);
- .5 agree to the financing of the regular budget by Member States' assessments calculated on the basis of anticipated offsetting income as indicated in table 10, aimed at delivering zero growth in each year of the next biennium (paragraphs 47 to 50);
- .6 endorse the proposed budget plan for other Funds of the Organization as presented in table 11, representing a biennial increase of 4.9%, while endorsing the project to replace the sound and simultaneous interpretation system during the next biennium with estimated costs of a minimum of £2 million, and noting that the method and approach to be used to finance the full costs thereof will be further reviewed and updated in a report to C 114 (paragraph 53);
- .7 note that the overall resource requirement for the next biennium under all Funds of the Organization (regular budget plus other Funds), will represent a biennial increase of 3% (£2.72 million), reflecting an increase of 2.5% for 2016 and a cut of 0.9% for 2017 (paragraph 59 and table 13); and
- .8 note that the Secretary-General will provide to C 114, for its consideration, his results-based budget reflecting the conclusions and decisions of C 113, together with a draft Secretariat business plan and, if appropriate, a related draft Assembly resolution (paragraph 61).