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COUNCIL - 90th session

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SUMMARY RECORD OF THE SEVENTH MEETING

held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR
on Thursday, 19 June 2003 at 9.30 a.m.

Chairman:	Mr. CHEN TZE PENN (Singapore)
Vice-Chairman:	Mr. J. FRANSON (Sweden)
Secretary-General:	Mr. W.A. O'NEIL

A list of participants is given in document C 90/INF.1.

N.B. Corrections to the summary record should be submitted in writing, preferably on a copy of the summary record, to the Conference Division, IMO Secretariat, 4 Albert Embankment, London SE1 7SR not later than 13 October 2003.

Corrections to all summary records of the session will be issued in a consolidated corrigendum.

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AGENDA ITEM 16 - REVIEW OF THE SUB-COMMITTEE STRUCTURE: PROGRESS REPORT (C 90/16; MSC 76/23) (continued)

Mr. BELL (Bahamas) said that the meeting of Chairmen of the Committees and Sub-Committees had decided that for the present no changes were necessary in the sub committee structure. However, it had left open the possibility of longer-term change, which would depend on the Strategic Plan and on the strategy and policies of the Organization. There were currently two separate processes in operation. While the Council was developing the Strategic Plan, the sub-committees were developing their terms of reference based on the activities they were currently carrying out. The Committees, by contrast, were not developing either terms of reference or any co-ordinated plan for their strategic directions.

In his view, the work of the Organization should be co-ordinated in such a way that the terms of reference of the Committees and their strategic directions should derive from the Strategic Plan being developed by the Council, and the terms of reference of the sub-committees should be derived from those of the Committees. That would help to clarify what structure was needed for the Sub-Committees in order to produce the most effective results. He proposed that a working group should be established under the supervision of the Council, to include the Chairmen of the Committees and Sub-Committees and members of the Secretariat, to examine the terms of reference of those bodies. He realised that terms of reference for the Committees were already laid down in the IMO Convention, but there was no need to update them to enable the Organization to relate to the real needs of Governments and industry.

Mr. CHRYSOSTOMOU (Cyprus) said his delegation's position was that no restructuring of the sub-committees should take place until the Strategic Plan had finalized. While the structure of the Committees could not be changed, they could be asked to develop new terms of reference, based on the Strategic Plan, under the guidance of the *Ad Hoc* Council Working Group on the Organization's Strategic Plan.

He supported the proposal by the Bahamas that a working group should be set up, and requested that in the meantime the work currently being carried out by the sub-committees on their terms of reference should be put on hold.

Mr. FRANSON (Sweden) said that in principle he too supported that proposal. A working group could be part of the process of continuous updating of the Strategic Plan. However, the setting up of the working group should await the finalization of the structure of the Plan.

Mrs. TIEMENS-IDZINGA (Netherlands), Mr. YOEST (United States), Mr. RASMUSSEN (Denmark), Mr. ROWE (United Kingdom) Mr. SIBERTSEN (Norway) and Mr. NASTRUCCI (Italy) endorsed that view.

Mr. FINLEY (Panama) said that while he appreciated the work carried out by the A*d Hoc* Council Working Group on the Strategic Plan, he considered that the MSC and MEPC, which possessed the necessary expertise, should have been more directly involved in that work.

Mr. SADLER (United Kingdom) proposed that the sub-committees should continue to review their terms of reference and report back to the Committees. He suggested that the proposal by the Bahamas should be submitted in writing, which would help to clarify how it would fit in with other ongoing initiatives such as the Strategic Plan and the development of a long-term work plan.

Mr. BELL (Bahamas) said that he had no objection to submitting his proposal in writing if that was the wish of the Council, but stressed that he did not wish to prejudge the outcome of the deliberations of the Working Group. The point of having such a Group was in fact to determine the relationship between the Strategic Plan and the work of the Committees and sub-committees,

Mr. ESCOBAR (Argentina) suggested that the proposal by the Bahamas should be reflected in the final decision on the Strategic Plan.

Mr. RASMUSSEN (Denmark) supported the proposal by the Bahamas in principle and suggested that the new working group should meet following the forthcoming intersessional meeting of the *Ad Hoc* Council Working Group on the Strategic Plan. He thanked the representative of the Bahamas for his offer, although in his opinion, a paper was not necessary. He considered that the sub-committees should continue to review their terms of reference.

The CHAIRMAN invited the Council to take note of the information received and comments made, in particular that MSC 76 saw no immediate need to change the structure of the sub-committees at present, and to request the Secretariat to report the decisions made on that matter by MEPC 49 to the twenty-second extraordinary session of the Council; to agree in principle to the proposal by the delegation of the Bahamas to establish a working group to examine the terms of reference for the Committees and sub-committees in the light of the strategic plan, but to decide to defer detailed consideration of the matter pending the development of the strategic plan; to request the Bahamas to make a written submission on its proposal for the Council's further consideration; and to agree that the review of the terms of the sub-committees should continue.

It was so decided.

AGENDA ITEM 17 - RESOURCE MANAGEMENT:

(a) PERSONNEL MATTERS INCLUDING AMENDMENTS TO THE STAFF REGULATIONS AND STAFF RULES (C 90/17(a) and Add.1)

The SECRETARY-GENERAL said that the documents covered matters concerning the remuneration of staff and their terms of employment, changes to the Staff Regulations and Staff Rules, the recruitment of women, the geographical distribution of posts, and the decision of the United Nations General Assembly concerning adjustments to the net pensionable remuneration of staff members in the Professional and higher categories from January 2003.

The Council would recall that the common system of conditions of staff for IMO staff was determined by the ICSC and the General Assembly. The net remuneration of United Nations common system staff members in the Professional and higher categories was based on the net remuneration of United States federal civil service employees in Washington, within a margin varying between 110 and 120. The ICSC had proposed, for adoption by the General Assembly, the introduction of a new salary scale as of 1 March 2003 in order to restore the margin to its ideal level of 115. However, the General Assembly had rejected the ICSC proposals and had approved a different salary scale effective 1 January 2003, reflecting lower levels of percentages of increase than those recommended by the ICSC but designed to address the relatively lower margins of the D.1 and D.2 levels. As a result of that increase, the margin now stood at 112.2 instead of at 115 as originally recommended. The new scale, which represented an overall percentage increase of 2.76%, had been implemented in IMO with effect from 1 January 2003.

As part of the Change Management Programme, Human Resources Management had been strengthened. The Personnel Section had been retitled Human Resources Services, and the Staff Regulations and Staff Rules had been amended to reflect the change in the Section's responsibilities. He had made some personal promotions at the D.1 level which recognized exceptional personal contributions made over a long career and the important contributions being made to the Change Management Programme by those concerned.

It would be recalled that he had undertaken to report periodically to the Council on the situation with regard to the employment of women in IMO. As at 31 May 2003 the overall percentage of female staff in the Professional and higher categories had been 35.6%, grades P.1 to P.5 39.8%, and in D.1 and above 15%, with 33% in the D.2 category. He would again urge Governments to propose well qualified female candidates whenever possible. As requested, he had displayed the geographical distribution of posts as at 1 June 2003 shown in annex 1 to document C 90/17(a)/Add.1. It would be noted that of the 135 posts in the Professional and higher categories which were subject to geographical distribution and were filled, staff came from 46 Member States of the Organization.

Mr. KORAN (United States) said he would appreciate further information regarding the steps being taken to increase the representation of women within IMO, particularly at P.5 and D.1 levels. He would also like future reports to include an analysis of the current situation in that respect as compared to the situation in previous years, so that trends could be identified.

The SECRETARY-GENERAL said that whenever vacancy notices were distributed, Member States were encouraged to nominate women candidates. In addition IMO was actively promoting the concept of more women being employed in the maritime world generally. He would provide the analysis requested.

Mr. RWELAMIRA (South Africa), supported by Mr. AKINSOJI (Nigeria) expressed concern about the representation of Africa within the Organization and asked that positive measures be taken to increase that representation, particularly in the professional category.

Mr. CHRYSOSTOMOU (Cyprus), supporting that view, asked that in future figures be given to indicate the geographical representation of employees in the Secretariat. There were other parts of the world in addition to Africa which were underrepresented on the staff, particularly at professional level. He was concerned that the number of posts held by nationals of the host State had risen to 17.

The SECRETARY-GENERAL pointed out that vacancy notices were always distributed to all Members of the Organization. He would encourage countries or regions wishing to increase their representation to give attention to vacancy notices and to put forward qualified candidates, so that they could to be included in the screening process. Geographical factors were always taken into consideration when the posts were being filled, but frequently there was an absence of candidates from certain countries.

Mr. CHRYSOSTOMOU (Cyprus) said he had noted that the ILO website stated that in recruiting for vacant posts priority would be given to countries not represented in the Secretariat. He asked whether IMO followed the same policy.

The SECRETARY-GENERAL said that IMO was an organization with a very small professional staff, and the prime factor in making selections was to ensure that the candidate had the right qualifications for the job. While applicants were encouraged to apply both on a gender basis and on a geographical basis, no preference was given to any particular country or countries.

Mr. RWELAMIRA (South Africa) requested that, in the light of the concerns expressed by delegations, the decision taken should include a reference to the fact that the Council had noted the disparity in representation on the staff of IMO and had requested that action be taken to address that disparity.

The CHAIRMAN invited the Council to note the information contained in document C 90/17(a) and its addendum and that provided orally by the Secretary-General relating to personnel matters; and to note the disparity of representation in relation to geographical spread and gender, especially among staff in the Professional and Higher categories, and to request that that should be addressed wherever possible.

It was so decided.

(b) ACCOUNTS AND AUDIT: ACCOUNTS FOR THE FIRST CALENDAR YEAR OF THE TWENTY-SECOND FINANCIAL PERIOD AND TRANSFERS WITHIN THE 2002 BUDGET (C 90/17(b), Add.1 and Add.1/Corr.1 (English only), Add.2 and Add.2/Corr.1)

The SECRETARY-GENERAL said that, concerning the financial outcome for the first calendar year of the twenty-second financial period 2002-2003, the gross saving for 2002 amounted to £695,652, which represented 3.2% of the gross appropriation. The net surplus for the year amounted to £553,814 after accounting for miscellaneous income and exchange losses. The total assessment on Member States for 2002 amounted to £18,902,500 and as at 31 December 2002, 98% of the contributions had been received, leaving a balance of approximately £385,000, which was an outstanding result. The cash surplus for the year had been £168,195 after deduction of the outstanding contributions for 2002 of £385,000 from the net surplus of £553,000. Reserves and fund balances of the General Fund as at 31 December 2002 amounted to £5,848,553 and the accumulated cash surplus amounted to £3,988,759 after deduction of the unpaid contributions for all financial periods, which amounted to £1,859,794.

The principal of the Working Capital Fund had been established at £2 million, and the Members which had subsequently joined the Organization had increased the principal to £2,500,837. The current balance in the Working Capital Fund was sufficient to meet one month's disbursements of the General Fund.

The total income from sales of publications for 2002 totalled £5,179,000, representing a 7% increase over 2001, and showing continued growth in the sales of IMO publications. Total expenditure during 2002 amounted to £3,306,000 and included the direct costs and indirect costs reimbursed to the General Fund of £802,900. That reimbursement represented 60% of the costs incurred by the General Fund and was in accordance with Assembly resolution A.906(22). After taking into account the miscellaneous income and other savings, the net surplus for the year was £1,981,000. The Assembly at its twenty-first session had approved transfers of £400,000 for each year of the biennium 2002-2003 to reduce the level of assessment on Member States. It had also approved transfers for 2002 of £5,050,000 to the Technical Co-operation Fund, £700,000 to the Headquarters Capital Fund and £200,000 to the Training and Development Fund from the accumulated surplus of the Printing Fund. Those transfers had been made. The reserve and balance of the Printing Fund as at 31 December 2002 stood at £2,680,080.

The primary purpose of the Headquarters Capital Fund was to meet the capital expenditure necessary for the efficient operation of the Organization and to fulfil the Organization's liabilities under the terms of the lease of the Headquarters building between the

Organization and the United Kingdom Government. It should be recalled that capital expenditure for the repairs/upgrading of the Headquarters building was shared between the Organization and the United Kingdom Government on a 20/80% basis. At its twenty-second session, the Assembly had decided that the scope of the Fund should be widened to include expenditure on the design, installation and implementation (including training) of office automation systems.

During 2002, the total transfers made to the Fund had amounted to £1.2 million, comprising £500,000 from the General Fund and £700,000 from the Printing Fund. The total capital expenditure for the year amounted to £1,430,000, the principal components being 20% for the cost of replacement of refrigerant and associated air conditioning plant of £374,000, consultancy fees paid to Deloitte and Touche for the strengthening of the Organization's budgetary and financial systems of £380,000 and a local area network recabling project of £303,000. The balance of the Fund as at 31 December 2002 amounted to £990,000. Expenditure from the Technical Co-operation Fund during 2002 amounted to £3,303,000, representing expenditures on technical co-operation projects approved by the Technical Co-operation Committee and endorsed by the Council. The interest earnings during 2002 on short-term investments made from the funds which were not required for immediate use amounted to £407,000, and the accumulated balance in the Fund as at 31 December 2002 amounted to £8,028,567.

The Termination Benefit Fund had been established to meet the Organization's liability for termination indemnity and repatriation grants estimated at some £2 million, and it had subsequently been widened to allow the financing of the additional cost of temporary assistance required to replace staff on long-term sick leave. A transfer of £250,000 had been made to the Fund from the surplus of the General Fund during the year in accordance with Assembly resolution A.906(22). The expenditure during the year had amounted to £233,000, which related to repatriation costs of staff separated from service during 2002 and temporary assistance to replace staff on long-term sick leave. The balance in the Fund as at 31 December 2002 amounted to £1,185,029.

The Training and Development Fund had been established in 2002 to finance the organizational strengthening initiative with the transfer of £200,000 from the Printing Fund surplus. The total expenditure during the year amounted to £294,000 and the main item of expenditure had been the consultancy fees paid to the consultants engaged for the Change Management Programme. The fees and other expenses reimbursed to those consultants amounted to £239,000. The deficit of £88,754 which arose from the increased pace of the Change Management Programme had been met from the surplus of the General Fund in accordance with the decisions of the Council at its eighty-ninth session.

Final accounts, associated schedules and notes had been submitted to the External Auditor in accordance with the Financial Rules and Regulations. The audit undertaken during February/March had been extensive. Most of the queries which had been raised ranged across the full spectrum of the Organization's accounting and management processes and had been concluded satisfactorily.

Commenting on the accounts and audit in general, he said that the Audit Opinion was set out in page 2 of the document. No qualifications had been made. During the audit, the team had made a number of observations to the management on the Financial Statements, which had been adopted and implemented, thus ensuring adherence to the United Nations common accounting standards. The audit process was extremely rigorous, as indicated in the second paragraph of the Opinion: over the period of the audit, over 57 audit queries had been raised as part of the fact-finding process. That process had involved management throughout the Organization, from the initial audit conference with the Senior Management Committee to the Audit Exit Conference. Over 35 staff had contributed directly to answering the queries.

There had been tight deadlines, not only for the closure of the accounts and presentation of the financial statement but also for replies to audit queries to enable the auditors to draft their Management Letter which formed the basis for the External Auditor's Opinion and Findings. Timing had been difficult in 2002 because a number of the staff answering the queries were also responsible for preparing the Work Programme and Budget, implementing the Change Management process including collaboration with Brazil on scripted demonstrations, and preparation by the Technical Co-operation Division for TCC.

Part A of the report, paragraphs 9 to 32, concerning the Financial Statements, contained 12 recommendations which had been accepted and had already been implemented. Part B of the report, paragraphs 33 to 103, referred to other general accounting and budgetary matters. There had been some 23 recommendations, of which some 13 had been accepted, and some 10 other recommendations would be reviewed. None were controversial.

Paragraphs 104 to 107 concerned two performance reviews undertaken by the audit team of printing and publishing activities and the Technical Co-operation Division, which the Auditor had referred to as "major areas of concern". He stressed that the Secretariat had responded fully to the questions raised by the Auditor, and, with regard to the performance review of printing and publishing activities, had in its response to the Draft Management Letter from the Head of the External Audit Team, recalled the positive remarks that the Joint Inspection Unit had made about IMO's publishing policies and practices in its review of United Nations publishing performance. The replies to the Auditor's queries therefore indicated that there was no sound basis for the implied concerns over the issues specified in his report.

With regard to paragraph 107, while there was no direct correlation between the review activities currently being conducted under the Change Management Programme and the Auditor's review, it would be appropriate for any functional review undertaken by the External Audit to take into account the results of the in-depth analysis conducted under MANNET and Deloitte and Touche and the subsequent adjustments being made under the Change Management Programme. Equally, the Auditor's concern about programme delivery should be viewed in the context of the improvements in the financial delivery of technical co-operation programmes, reflected notably by an increase of 27% in 2002 against the previous year and of 78% since 1999. Moreover, the queries resulting from the performance review of the Technical Co-operation Division encompassed a wider range of technical co-operation functions than those assured by that Division, since they touched in particular on the mandate of the Administrative Division and the Maritime Safety and Marine Environment Divisions.

He drew the Council's attention to the fact that the External Auditor had made no specific recommendations as a result of his performance reviews, and that he had proposed to study further the activities of the Technical Co-operation Division and of the Publishing Service during the course of the year, taking into account the work in progress. The Secretariat would continue with its initiatives and innovations in those areas of activity.

Finally, paragraphs 108 and 109 reported the absence of fraud and presumptive fraud. The Comptroller and Auditor General had correctly reported that a fraud-risk assessment had been incorporated into the Internal Oversight Service work programme.

He concluded by saying that he welcomed the External Auditor's expression of appreciation for the commitment that the management had shown in its efforts to improve financial processes and to implement the audit recommendations made in previous years. The Council would note from the annexes to the Audit Report, on the follow-up on the recommendations of the External Audit for the years 2000 and 2001, that a high level of compliance had been achieved.

He suggested that the *Ad Hoc* Intersessional Working Group in Accounts and Audit be requested to review the financial statements for 2002 and the External Auditor's report thereon in order to advise the Council at its twenty-second extraordinary session in November 2003, thus enabling it to forward the statements to the Assembly with such comments as it might deem appropriate.

Mr. AWASTHI (representative of the External Auditor), speaking at the invitation of the Chairman, said that he welcomed the Organization's positive reaction to the External Auditor's observations on the Financial Statements. In view of the substantial compliance with the recommendations made by the Auditor in previous years and the revision of the Financial Statements subsequent to his audit, he was pleased to give an unqualified opinion on the Organization's Financial Statements for 2002.

The audit report was divided into three sections. While the first section of the report dealing with the Financial Statements had met with complete accord on the part of management, there were some differences in perception relating to the sections dealing with assurance on budgetary matters and the performance reviews. The Organization had five Funds, which the Council had created from the General Fund and which were part of that Fund. Through its audit report, the external audit team had brought to the Secretary-General's notice that the formal process of the Work Programme and Budget applicable to the General Fund was not being adequately applied to those Funds. However, those inadequacies had been brought to the Secretary-General's attention for the first time, and the audit team therefore expected only a limited degree of compliance in the budgetary process for the biennium 2004-2005. The modalities of the desired changes could be further discussed by the *Ad Hoc* Intersessional Working Group, which the Secretary-General had proposed to reconvene.

The third section of the Auditor's report dealt with the performance reviews. By his use of the word "concern", the Auditor had not meant to imply any critical bias, but to indicate that certain issues had been flagged for examination. The performance reviews remained an area of work in progress. The auditing of professional standards and performance required measures to be taken to avoid the development of adversarial attitudes. Moreover, unlike financial audits, which were confined to the financial period of one year or a biennium of two years, the scope of a performance audit extended to a longer period. There was an ongoing process of change, remedial action and reform in the Secretariat, which had been initiated relatively recently by the Secretary-General and which remained work in progress. Subject to the Council's approval, therefore, he hoped that further co-operation between the audit team and the Secretariat would result in the development of audit criteria on reasonable and attainable standards of performance and reporting thereon. The audit team also hoped to study closely the work in progress under the Change Management Programme, and its links with the agreed audit criteria of better practice. In the interests of developing a positive and co-operative attitude, the audit team had endeavoured to emphasize future improvement rather than criticism of past practice.

Mr. JONES (Bahamas) said that he was encouraged by the significant improvement in accounting practices that had been achieved since the audit report of two years previously. He therefore thanked the Auditor and congratulated the Secretariat on its efforts and its positive response to the Auditor's comments. Any review of the details of the report by the *Ad Hoc* Intersessional Working Group on Accounts and Audit would require less work than that required by the previous audit report.

Mr. KORAN (United States) thanked the External Auditor for his thorough report and commended the Secretariat on its constructive response to the issues raised, which had resulted in an unqualified audit opinion.

Mr. DAVIDSON (Australia) commended the Secretariat and the Auditor on their work and stressed the importance of the additional transparency that was resulting from the efforts to improve the Organization's financial processes. However, the performance audit in relation to the cost-effectiveness of the in-house printing function needed careful study. Many Council Members had expressed concern about the ability of the Printing Fund to continue to generate revenue at the same level as in the past, and about the risk of over-reliance on it in the future. He hoped that the Auditor would help IMO to find a constructive way forward in that regard. He also hoped that the inadequate provision of personal computers and, therefore, of Internet facilities for the use of Council Members at the current session would be addressed.

The SECRETARY-GENERAL said he appreciated the concern that had been expressed about the Organization's printing and publishing activities, which were being closely reviewed.

Mr. JONES (Director, Administrative Division) welcomed the positive comments made by previous speakers concerning improvements in the accounting procedures, for which he was responsible. Responding to the point raised by Australia, he said that the lack of personal computers for the use of Council Members had been occasioned by a temporary shortage. That situation had, however, been fully rectified, and Members could rely on being provided with adequate facilities at the Council's next session.

Mr. CHRYSOSTOMOU (Cyprus) supported the Secretary-General's suggestion that the *Ad Hoc* Intersessional Working Group on Accounts and Audit should be convened in order to consider the report, which would facilitate the Council's work. He recognized that the word "concern" had many connotations, and welcomed the clarification by the External Auditor's representative of the meaning of that term in the context of the report.

With regard to the Printing Fund, he pointed out that, as indicated by table 16 of document C 90/17(b)/Add.1, which displayed the principal expenditure and income variances, expenditure during the year 2002 had increased and the surplus, or profit, would therefore in future be less. The expenditure and income variances should be as close as possible in order to maximize the Fund's surplus. He associated himself with the view expressed earlier by Australia that unless the Printing Fund surplus were maintained, sufficient funds might not be available for technical co-operation. For example, the variance in the revenue from sales promotion of approximately £5,000 and from contracting out of external printing of some £46,000 equalled the cost of two sponsorships to the University of Malmö. The fact that the major variance, for the reasons explained in paragraph 5.6 of document C 90/17(b)/Add.1, was in respect of personnel costs financed directly from the Printing Fund was of particular concern.

Mr. KURAWA (Nigeria) joined previous speakers in commending the work of the External Auditor and the Secretary-General. However, he expressed concern over the implementation of the 2002 budget in relation to the Technical Co-operation Fund and the Trust Funds. While, under the Technical Co-operation Fund, £3.3 million had been expended, representing 51% of the budget, only some £759,000 had been spent on workshops and seminars; the rest had been spent on co-ordinators, consultants and missions. Under the Trust Funds

Programme, of the US $7.8 million expended, representing 64% of the budget, only some US $753,000 had been spent on workshops, training and seminars: he wished to see some improvements made in that area, particularly with regard to training.

The CHAIRMAN invited the Council to welcome the Financial Report and accounts for 2002; to note with satisfaction a net saving of £553,814 in 2002; to note with satisfaction that a cash surplus of £168,195 was achieved during 2002; to further note with satisfaction, that the Organization's accumulated cash surplus as at 31 December 2002 stood at £3,988,759; to welcome with appreciation, the achievement of a contribution level in 2002 of 98%; and to welcome the continued growth of the level of sales of publications which, for 2002, totalled approximately £5.2 million, representing a 7% increase in sales income over 2001.

He further invited the Council to note with appreciation, the presence of the representative of the External Auditor and to thank him for his positive and unqualified report and, in addition, to welcome the Secretary-General's attention to his careful stewardship of the Organization's Funds; to welcome the External Auditor's Opinion on the accounts for 2002 and to appreciate the evident commitment by the Secretary-General and the External Auditor in assisting the Council in its governance responsibilities; and to agree to follow the Secretary-General's suggestion that the *Ad Hoc* Group on Accounts and Audit under the chairmanship of Mr. Mervyn Jones (Bahamas) be requested to review the Financial Statements for 2002 which is the first calendar year of the twenty-second financial period 2002-2003, and the External Auditor's report thereon, in order to advise the Council at its twenty-second extraordinary session in November 2003.

It was so decided.

The SECRETARY-GENERAL expressed his appreciation to the audit team for the co-operation they had shown in conducting the audit and for the positive results, which had lead to the unqualified audit opinion just presented.

(c) REPORT ON INVESTMENTS (C 90/17(c))

The SECRETARY-GENERAL said that he was required by article IX of the IMO Financial Regulations to report periodically to the Council on the investment of monies not needed for immediate requirements. Accordingly, document C 90/17(c) reported on investments during 2002 of such monies. It would be noted that the interest on the General Fund monies in 2002 amounted to £280,648, which was less than the previous year's earnings. That reflected the fall of the rate of interest levels prevailing in the United Kingdom during the year. The average interest rate for short-term deposits was 1.10% compared with 2.3% in 2001. The yield from investments of the balance of the Printing Fund amounted to £107,733, which was lower than the previous year. He would confirm that the Organization's investments of monies not immediately needed were made only with major clearing banks and not on a speculative basis.

The Organization's short-term investments had been managed with the assistance of an adviser which also acted as adviser on fund management to the International Oil Pollution Compensation Fund.

The CHAIRMAN invited the Council to take note of the information contained in the documentation.

It was so decided.

(d) REPORT ON ARREARS OF CONTRIBUTIONS AND OF ADVANCES TO THE WORKING CAPITAL FUND AND ON THE IMPLEMENTATION OF ARTICLE 56 OF THE IMO CONVENTION (C 90/17(d) and Adds.1-3)

The SECRETARY-GENERAL said that document C 90/17(d)/Add.3 reported on the situation as at 31 May 2003 with respect to payment of contributions. The collective efforts of Member States and the initiatives that he had taken with the Council's strong support continued to yield positive results. However, the payment date stipulated in the rules was largely being ignored. The position as at 31 May was that 58.8% of the 2003 assessment had been received. In 2002, a contribution level of 57.5% had been achieved. Since 31 May, payments had been received from Bangladesh, Bulgaria, Jamaica, Madagascar and Nigeria. Partial payment had been made by Panama and the Philippines. Argentina had settled its arrears from 2002 and Gabon had partially settled its arrears.

The Council would recall that rule 56*bis* (concerning the waiver of the provision of Article 56), together with rule 56*ter* (concerning eligibility to seek election to the Council) of the Rules of Procedure of the Assembly had been applied for the first time at the Assembly's eighteenth session. They had been applied for the fifth time at the twenty-second session of the Assembly in November 2001. The status report he had provided in the annex to the document showed that, of the four Member States that had been granted a waiver of Article 56 at the twenty-second session of the Assembly, Guatemala had settled its arrears fully. Two Member States had still not discharged their obligations. The Government of Serbia and Montenegro had stated that the Governments of the successor States of the former Socialist Federal Republic of Yugoslavia had launched an initiative with the United Nations to write off all arrears of contributions incurred by that country to the United Nations and its bodies. Once the United Nations General Assembly had made a decision on the matter, the Council would be informed in order that IMO's position could be considered. Of the 26 Members that had lost their voting rights at the twenty-second regular session of the Assembly, Bosnia and Herzegovina, Cameroon, Dominican Republic, El Salvador, Kazakhstan, Pakistan and Senegal had settled their arrears fully and regained their voting rights. The remaining 19 Members were listed in annex 1 to document C 90/17(d)/Add.2.

Mr. AZUMA (Ghana) noted that the contributions schedule contained in annex 2 to document C 90/17(d)/Add.2 showed that most Member States had not made payment of their 2003 assessments as at 30 April 2003. He was concerned that the substantial amount outstanding would adversely affect the operation and effectiveness of the Organization, and therefore urged Member States to make arrangements to pay their assessments well in advance of the end-February payment date.

The CHAIRMAN invited the Council to take note of the information contained in document C 90/17(d) and its addenda and the additional information provided by the Secretary-General; and to take further note of the continuing arrears of some Member States and urge all Member States, and Council Members in particular, to remit all outstanding contributions.

It was so decided.

(e) PRELIMINARY CONSIDERATION OF WORK PROGRAMME AND BUDGET PROSPECTS FOR 2003 (C 90/17(e) and Add.1)

The SECRETARY-GENERAL said that it would be recalled that the direct costs of the Organization's approved work programme consisted primarily of salaries, benefits and allowances of staff, meetings, official travel and consultancies. The indirect costs of the Organization comprised bought-in goods and services and rent, rates and utilities of the Headquarters building. The United Nations General Assembly, at its fifty-seventh session in December 2002, had approved the implementation of a new salary scale for Professional staff with effect from 1 January 2003. That increase in staff costs had been unforeseen when the budgetary proposal for the current biennium had been finalized, and the Council had therefore approved, at its eighty-ninth session, his recommendation of a supplementary requirement to be financed from the accumulated reserves. He had informed the Council in document C 90/17(a) of the outcome of the modified pay scale approved by the General Assembly. A supplementary estimated figure of £389,000 was accordingly shown in the revised approved appropriation in table 1 of document C 90/17(e).

The revised programme budgets had been constructed on the assumption of increases in average earnings and retail price increases in the United Kingdom economy of 3% and 2.3% respectively. An exchange rate of US $1.41 to £1 sterling had been used to translate dollar-based expenditure items into pounds sterling on the basis of the average rate for 2002 of US $1.49 to £1. The latest reports on the United Kingdom economy showed that movements on pay and price factors in 2003 were comparable to his budgetary assumptions. He therefore concluded that movements in external pay and price factors would not have an adverse affect on the Organization's 2003 approved appropriations and that the cost of living adjustments for Professional staff and an interim salary scale adjustment for General Service staff during 2003 would be within his budgetary assumptions.

In summary, the overall budget prospects for 2003 were satisfactory, and programme delivery was on course. He was fully committed to delivering the major programmes within the resources available and within the appropriation approved by the Council at its eighty-ninth session. Brief descriptions of the deliverables by Major Programme and Programme for 2003 in document C 90/17(e)/Add.1 showed that the programme objectives would be achieved within the approved appropriations.

In accordance with past practice, he sought the Council's authorization to make the necessary transfers between major programmes of the budget to the extent that balances were available.

Recalling the discussion under agenda item 5 concerning the work of the MSC, and as reflected in document C 90/17(e)/Add.1, he noted that the Conference Division could barely cope with its increased workload within the resources available. During the period under review, from 1 January 2003 to 31 May 2003, the increase in the number of pages received for translation into French and Spanish had increased by some 10% compared with the same period in 2002. If that trend continued, the overall increase in the number of pages sent for processing by the end of the year compared with 2002 could reach 20%.

On a technical point, he recalled that, in accordance with financial regulation 103.1, he had presented, in document C 90/18, the Organization's proposed appropriations for the biennium 2004-2005 on a gross basis, which meant that they excluded any compensatory receipts or internal transfers. annex 1 to document C 90/17(e)/Add.1 reflected the appropriations for the current biennium also in gross terms, in order to facilitate comparison of the appropriation levels with those of 2004 and 2005.

Concerning income for 2003, he had commented in document C 90/17(d) and its addenda on the general contributions position of Member States. He thanked Member States for their efforts to discharge their financial obligations and urged all Members that had not done so to fulfil those commitments. The Council would recall that, as a precautionary measure, the Assembly at its twenty-second session had authorized him to draw, if necessary, on the Printing Fund, the Technical Co-operation Fund and the Termination Benefit Fund to finance the approved regular budget programme appropriations for 2003.

He would like to touch upon the status of monies under the Organization's two main Funds, the Printing Fund and the Headquarters Capital Fund. The position on income and expenditure foreseen as at 30 April 2003 under the Printing Fund was set out in C 90/17(e)/Add.1. The statement showed that the sales revenue during the first four months of the year was very satisfactory. The Publishing Service's sales activities were on course to reach its estimated revenues for the year 2003. By the end of May 2003, the estimated annual revenues had reached more than 50% of the total sales forecast for the year. Programme delivery up to the end of May had been achieved, and the ISPS Code, the first to be published in 2003, had been produced only six weeks after its adoption by the Maritime Safety Committee in December 2002. Other important titles published in the first quarter of 2003 were revised editions of Load Lines, COLREG, Life-Saving Appliances, Anti-Fouling Systems, Amendments to Volume III and a consolidated edition of Volume III of the IAMSAR Manual. Furthermore, the French and Spanish editions of the IMDG Code and several other publications in the official languages of the Organization had been published during that term. Electronic publications were also on target, and the first virtual publication ever published by IMO (available as a downloadable file from the IMO website) was the ISPS Code. The Technical Co-operation Committee had considered the question of free, public access to certain IMO publications in electronic form, which would be considered under item 23 of the Council's agenda. It was policy to make available two sets of hard copies of all IMO publications to all Member States, and additional hard copies had been provided through the Technical Co-operation Programme to developing countries in certain circumstances.

Turning to the Organization's capital investment programme financed from the Headquarters Capital Fund, he said that he had presented the indicative capital investment programme for 2003 to the Council in document C 89/19(d)/Add.3, and updated information was attached as annex 3 to document C 90/17(e). The capital investment programme for 2003 did not include the prospective acquisition of a new integrated financial and accounting system since the replacement of the existing core financial accounting system was yet to be decided by the Council at the current session. Pending that decision, the Secretariat had continued to make such work process improvements as could be achieved at low cost, on an interim basis.

The CHAIRMAN invited the Council to take note of the information contained in document C 90/17(e) and its addendum; to take note of the conclusion of document C 90/17(e) and its addendum and of the Secretary-General's review of external pay and price factors; to note that the supplementary estimate for 2003 of £389,000 would be met from the Organization's accumulated reserves, which should be reimbursed to each respective Fund as soon as and to the extent that income is available for that purpose, in accordance with the Organization's Financial Regulations and Rules; to note the forecast outturn level of expenditure under each Major Programme and to authorize the Secretary-General to make transfers between Major Programmes to the extent that balances were available to cover or reduce deficits in programme appropriation balances; to note the authority given to the Secretary-General by the Assembly at its twenty-second session in resolution A.906(22) to draw, if necessary, on the Printing Fund, the Headquarters Capital Fund, the Technical Co-operation Fund and the Termination Benefit Fund monies to finance the approved regular budget programme appropriations.

He further invited the Council to urge Member States to remit their financial contributions promptly in accordance with the Organization's Financial Regulations and Rules; to note that the Organization's printing and publishing activities were on course to reach its estimated revenues for the year 2003; and to take note of the Secretary-General's planned use of the Headquarters Capital Fund for 2003.

It was so decided.

AGENDA ITEM 18 - WORK PROGRAMME AND BUDGET FOR THE TWENTY-THIRD FINANCIAL PERIOD 2004-2005 (C 90/18, C 90/18/Corr.1 and C 90/18/Add.1)

The SECRETARY-GENERAL introduced the proposals set out in documents C 90/18 and C 90/18/Add.1 concerning the Work Programme and Budget for the biennium 2004-2005, in accordance with Article 49 of the IMO Convention. The Work Programme and Budget was composed of two parts: part 1 provided a summarized description of budgetary requirements and cost change analysis by major programme; and part 2 detailed the elements of each programme and sub-programme and their planned outputs along with the forecast resource requirements at both major programme and programme levels.

The Organization faced many challenges over the coming biennium and subsequent years, one of the most immediate being the implementation of IMO standards to enhance security on ships and in port areas with a view to suppressing terrorist attacks following the tragic events of 11 September 2001. Another challenge was associated with tanker safety and environmental protection, including "places of refuge", following the **Prestige** incident in November 2002. There were other challenges, notably enhancing large passenger ship and bulk carrier safety, combating piracy and armed robbery against ships and, in relation to marine environmental protection, agreeing and implementing a global regime for ballast water management.

The budget presented was designed to support IMO's primary objective, namely to provide an intergovernmental forum at which global agreement could be reached concerning new safety and security arrangements and environmental policy initiatives, and to foster their effective implementation. The Organization's financial baseline had to enable it to maintain that status.

He recalled that the Organization had continued to operate under a ZNG budget for three consecutive biennia, from 1996 to 2001, and that the Assembly had approved at its twenty-second session a ZRG budget for the current biennium 2002-2003. During the six years of the ZNG budget period the appropriation for each biennium had been held at the same level in cash terms. Therefore, additional costs or new demands arising had had to be absorbed by sacrificing other activities, reducing the quality of service, or increasing the strain on staff. For 2002-2003, the Council and Assembly had decided to move to a ZRG approach, so that unavoidable or externally imposed cost increases were translated into a higher appropriation level. However, he had concluded that in order to strengthen IMO's capacity and capability effectively to respond to new challenges and demands in 2004-2005, and to sustain its pre-eminent position as the focal point for international maritime safety and pollution prevention matters, a realistic approach to the needs of the Organization was required.

He had, therefore, in consultation with the Senior Management Committee, approached the budget setting for the forthcoming biennium on the basis of zero based budgeting, which was a departure from prior budgeting rounds. The starting point in that process was to define the intended programme results and to assess the resources needed to achieve them, while securing the strong collective involvement of senior management, and particularly the Senior Management Committee (SMC), through a series of bilateral and SMC meetings. When reviewing the practice of other bodies, inside and outside the United Nations system, he had found that the techniques and results of so-called results-based budgeting had many common features, notably the defining of planned outputs and deliverables and the evaluation of results. He was confident that the methodology he had adopted, particularly when it could be assimilated into the replaced accounting and information system, would fit in well with the strategic planning process being developed by Council.

The proposed zero based budget had two tiers of cost, the first related to the appropriate adjustments for unavoidable costs of forecast pay and price increases, in line with the International Civil Service Commission (ICSC) methodology, and based on the financing of IMO's full approved staff complement; the second reflected the additional costs associated with delivering new requirements, and also included other cost changes consequential upon resource consolidation in maritime security.

Following detailed consultations with Directors on the attainment of their programme objectives, he had decided that IMO's best interests would be served in 2004-2005 by adopting a budget that provided for a modest real increase in Programme expenditure. Table 1 on page 10 and table 3 on page 12 of document C 90/18 set out the proposed appropriations for 2004-2005 under the zero based budgeting approach and compared those requirements with an appropriation level based on the ZRG setting. Simply meeting the costs of IMO's current core business and ongoing demands would require an increase in appropriation of 10.2% over the biennium period. That increase reflected only unavoidable external costs outside the Organization's control, mainly to finance its approved staff complement. Detailed information on the forecast cost and price increases was provided in annex 1 to the document. Turning to the case for programme increases, he stressed that IMO had continually redeployed posts to meet changing priorities and readjusted responsibilities within the existing staff complement and had also embarked on several reform initiatives. However, the programme demands of the membership now required a solid reinforcement of resources in some of the Major Programmes and, with a background of six years' ZNG and two years' ZRG, the new challenges and demands could not continue to be absorbed from the existing staff complement. He proposed, therefore, strengthening IMO's competence by adding seven Professional and six General Service positions for technical functions and two Professional and six General Service positions for support functions (annexes 5 and 6). However, recognizing that Member States continued to face public expenditure limitations, he proposed deferring the new positions until the beginning of 2005, and had cast the appropriation for the biennium accordingly, thereby deferring the full biennium effects of the proposed positions until 2006-2007. The proposed new Professional posts in technical areas were required to provide an initial capacity for developing and implementing an IMO Model Audit Scheme; to prepare technical guidelines and manuals for the entry into force of the OPRC-HNS Protocol and its implementation under the proposed MEPC Technical Group; to create two Geographical Focal Points (Arab and Francophone, and Latin America and Caribbean) to enhance the delivery of the IMO Integrated Technical Co-operation Programmes; and to undertake technical projects on maritime security. In that regard, the source of finance for the Security Implementation Officer (page 13, part 1 of document C 90/18) should be corrected.

The Security Officer recruited in TCC to implement technical co-operation in maritime security was currently financed from Global Programme 7 of the ITCP's Enhancement of Maritime Security but, as indicated in paragraph 22.4 of document C 90/18, that post should be financed from the regular budget as from 2004.

The additional Professional posts proposed for IMO's supportive functions were to enhance the availability of documentation to Arabic-speaking Member States, and to regularize positions for specialist IT technicians, whose functions were currently met by contracted-in temporary assistance to provide sustainable support and in-house expertise in applying new information technology. For a detailed analysis of programme changes, he invited Council to note the information in paragraphs 16.2 to 27.3 in part 1 of the document.

With regard to the programmes of the Organization's various Funds, he would limit his comments to summarizing the interplay between the four non-TC Funds, namely the Printing Fund, the Headquarters Capital Fund, the Termination Benefit Fund and the Training and Development Fund. The TC Fund, together with the ITCP, was dealt with separately in documents C 90/19(a) and C 90/19(b), and programme objectives for the other four main Funds were being prepared, taking into account the recommendations and comments presented by the External Auditor in document C 90/17(b)/Add.2.

He noted that, in accordance with Assembly resolution A.877(21), the Printing Fund as from the biennium 2004-2005 would bear all the direct and indirect costs of the Organization's printing and publishing activities. Accordingly, he had included, in the statement of income and expenditure under the Printing Fund, provisions for full reimbursement to the regular budget of £3,167,800 (direct costs £2,328,900; indirect costs £838,900) of those costs borne by the regular budget. He had proposed no increase in the staff complement financed by the Printing Fund.

The Council would recall that at its last session, the Assembly had decided to transfer part of the Printing Fund surplus to the Headquarters Capital Fund and therefore, taking into account a minimum level of operating funds required for printing and publishing activities for three months, he proposed transferring £1.4m to the TC Fund and £0.5m to the Headquarters Capital Fund. He noted that TCC, at its fifty-third session the previous week, had discussed transfers from the Printing Fund surplus to the TC Fund, recalling that the Assembly had authorized, in resolution A.873(20), the transfer of all such surpluses to the TC Fund unless otherwise decided by the Assembly. Indeed, at its last session, the twenty-second, the Assembly had decided to distribute the substantial accumulated surplus across several of the Organization's Funds. Some 80% had been allocated to the TC Fund and the rest, in the light of other demands, to the Headquarters Capital Fund and the Training and Development Fund, as reflected in resolution A.906(22).

After very careful consideration of all the competing demands facing IMO in sustaining its position as the pre-eminent global regulator, he had proposed the transfer of the afore-mentioned amounts to the Headquarters Capital Fund and Technical Co-operation Fund. He had done so with considerable reluctance, recognizing the importance of strengthening technical co-operation in order to respond to existing challenges in respect of maritime safety and environmental protection and to new challenges, notably in respect of maritime security and a prospective Flag State Audit Programme. He sympathized with the position of TCC, which had advised Council of its conviction that resolution A.873(20) should be followed not only in spirit but also to the letter. However, he would recall the unavoidable, substantial and rising capital expenditure programme needed to sustain IMO's day-to-day work, not only in meeting its obligations concerning the Headquarters building, but also in meeting Membership expectations regarding the Secretariat's Information Management Systems. To be and remain firmly in the twenty-first century, IMO had to keep up to speed with rapid IT developments and the apparently insatiable appetite for new applications and for improving connectivity in an increasing web-enabled world. At the same time, there were very limited funds in the Headquarters Capital Fund, as document C 90/18/Add.1 showed.

However, in the light of the encouraging sales figures for IMO publications in the first half of 2003, the level of funds to be transferred to the TC Fund would be reviewed during the latter part of 2003 and, depending on the outcome of Council's discussions, he would provide updated proposals to the Council's twenty-second extraordinary session in November 2003.

The Headquarters Capital Fund programmes included IMO's commitment to the work programme for maintaining the Headquarters premises under the lease agreement with the United Kingdom Government, as well as continued updating and strengthening of IT systems and database applications. The proposed total expenditure for the capital investments programme for the next biennium was presented in the annex to document C 90/18/Add.1. The indicative expenditure programme amounted to approximately £3.5m and included the prospective investment in the integrated financial management information system, which had been the subject of separate Council consideration. He noted that the financial status of the Headquarters Capital Fund indicated that the base of the Fund must be continuously replenished, and the budget proposals therefore introduced a new budget line item of £600,000 in the regular budget appropriation to contribute to the total resource requirements under the next Headquarters Capital Fund for the next biennium. If there were no transfer of reserves from the Printing Fund in 2004-2005, then the call on the regular budget would need to be increased.

The Termination Benefit Fund had been financed from the reserves of the General Fund and the Printing Fund. However, no transfer to the Termination Benefit Fund had been proposed for the next biennium. For 2004-2005, payments of termination benefits to retiring staff and termination indemnity were estimated at £200,000 for each year of the biennium, based on IMO staff age profiles. In accordance with resolution A.906(22), which allowed the financing of the additional costs of temporary assistance required to replace staff on long-term sick leave, a contingent provision of £50,000 had been included in the expenditure programme from the Termination Benefit Fund. He noted that, within the next biennium, it would be necessary to review the future funding arrangement of that Fund.

He recalled that one of the three main components of the Change Management Programme was to introduce a programme of Human Resource development. He had previously noted that the IMO age profile meant that approximately 50% of its senior staff would retire in the next five years, and planning for the next generation of technical staff and managers must therefore include developing in-house management skills and competencies. He had appropriated £200,000 for 2004-2005 under IMO's Development and Training Fund, and had proposed transferring the same amount from the Organization's reserves to the Development and Training Fund.

Finally, regarding the Meeting Programme for 2004-2005, he drew attention to the Legal Committee's decision at its eighty-sixth session, which sought Council's endorsement for an additional two meeting weeks during the biennium for two diplomatic conferences. In document C 90/18/Add.1 he had noted that provision for a diplomatic conference on wreck removal and for a draft protocol to amend the Convention on the Suppression of Unlawful Acts and its associated 1988 Protocol would add a further £60,500 in 2004 and £63,500 in 2005.

The Council would note that his budget proposals were designed to match IMO work programme needs, which responded to safety, security and environmental policy imperatives, with a minimum level of resources, and he hoped that it would approve and endorse those proposals.

Mr. DAVIDSON (Australia), supported by Mr. GRÉGOIRE (Canada) and Mr. BELL (Bahamas), said that Australia could not agree to a proposed budget reflecting a 16.2% increase over the biennium. He suggested that two budget options should be presented, one based on ZNG and the other on ZRG. Both options should indicate clearly what their impact would be on the Work Programme and reflect the changes in work practices and efficiencies that the Secretariat would achieve. The options should be developed as soon as possible, to allow time for them to be properly considered and progressed at the next Council session.

Mr. KOBASHI (Japan) appreciated the priority placed in the budget on security and elimination of substandard vessels, but considered a 16.2% increase totally unacceptable. He regretted the reinstatement of a ZNG approach and, although not wishing to impede any response to growing demands, would prefer to reallocate resources than increase the budget, as his own Government had done. He urged the Secretariat to advise Members of any projects that had been discarded, and to prioritize projects and reallocate resources based on the previous budget level.

Mr. SALVADOR GÓMEZ (Mexico) said that a budget increase would mean a rise in contributions, which the economic circumstances of Mexico could not allow. He suggested that IMO should adapt to the challenges facing it by increasing efficiency and managing with the same budget level as before.

Mr. SIVERTSEN (Norway), supported by Ms TIEMANS-IDZINGA (Netherlands), said that for his part he believed that the Secretary-General's budget proposal was realistic and balanced, taking into account the rise in the number of demands on the Organization. If IMO needed such an increase in order to operate effectively and to fund new projects, Norway could accept it.

Mr. SIVITOS (Greece) said he understood that the Organization needed to respond effectively to increased challenges and demands over the coming years. However, Greece considered that an increase as high as 16.2%, given current economic constraints, would have a considerable impact on all Member States. He requested the Secretary-General to review the proposed budget and examine the possibility of further cuts which would still allow IMO to fulfil its mission and carry out its work effectively.

Mr. KOVALENKO (Russian Federation), supporting Australia's proposal, said that he did not agree with the level of increase proposed. He favoured restricting budgetary expenditure to ZNG in line with other United Nations organizations, and believed that the financing of new or high-priority areas of work should be achieved through re-allocating existing resources, while limiting low-priority and under-performing programmes.

The comparative data on budgetary expenditure for 2002 and 2003 and 2004 and 2005 contained in table 3 of annex 1 to document C 90/18 was given only in absolute values, which made it very difficult to analyse changes in programme activity. A full analysis of the data on cost increases, including inflation, staff remuneration and costs, given in the same documents, was also difficult. He asked the Secretariat to issue an appropriate addition or corrigendum providing data on expenditure for 2004 and 2005, using 2002 and 2003 prices, in other words before allowances were made for current inflation and the United Nations system-wide adjustment of salaries. Such information would make it possible to compare like for like in the budgets for 2002 and 2003 and 2004 and 2005 and to have a uniform basis for comparison, allowing an analysis of real changes in programme activity.

He also requested the Secretariat to provide separate columns with figures for re-costing, taking into account inflation and the United Nations system-wide adjustment of salaries, both in absolute figures and in percentages. Additional data should also be given on individual cost elements, amplified by an indication of the percentage by which each element had increased in 2004 and 2005 as compared to 2002 and 2003. Under the heading "Cost of Living Adjustment for Personnel", separate figures should be given for salaries and benefits and for Professional staff and General Service staff.

He had doubts about whether appropriations, including a sum amounting to £1,480,800 for restoring staff complement, should be considered as pure cost increases. If those appropriations were not included in the budget for 2002 and 2003, they would be included as an addition in the budget for 2004 and 2005, and therefore should be considered as a real budgetary increase rather than a pure cost increase, attributable to inflation and salary rises. Thus, in his view, ZRG amounted to about 6%, whereas a real increase in programme growth amounted to about 10%.

Mrs. SEET-CHENG (Singapore) agreed with the Secretary-General that all Member States faced budgetary constraints. In Singapore, for example, the public sector had cut its budget by 2%, civil servants had accepted salary cuts of between 5% and 9%, and the severe economic situation created by the recent SARS outbreak had led to job losses. Singapore found it difficult to approve an increase of 16.2% and suggested a drastic review of IMO's proposed budget, focusing particularly on how the Change Management programme was leading to improved efficiency and productivity, so that there could be a reallocation of resources from general administrative costs to programme delivery.

Mr. PREVITI (Italy) acknowledged that the budget increase of 16.2% reflected the actual needs of the Organization, particularly in view of the extra resources needed for security, safety and the environment. However, considering the restrictions on public expenditure in several Member States, he would urge IMO to make savings in the budget where possible, thereby meeting the financial requirements of the Organization while reducing Member State contributions.

Mr. SCHINDLER (France) said that France could not accept a budget increase that was higher than that approved by its own Government. A number of budgetary items showed increases of more than 100%, which called for further explanation and analysis. France favoured the approach suggested by Japan.

Mr. CHRYSOSTOMOU (Cyprus), supported by Mr. AZUMA (Ghana), fully endorsed the budget proposed by the Secretary-General, which was necessary to allow the Organization to function properly. If the Australian proposal were to be considered, Cyprus would like Australia to submit a document specifying precisely where the budget cuts were to be made. While appreciating the concerns expressed by Mexico, he recalled that some time ago the decision had been made to change from ZNG to ZRG and that the Secretary-General had rightly pointed out that the latter would mean a 10.2% budgetary increase. However, Cyprus agreed with Greece that some reduction on the figure of 16.2% could be achieved.

Mr. ASUQUE (Philippines) said that it was true that Governments were tightening expenditure, but it was difficult to see how far the budget could be stretched on the basis of ZRG. The figure of 16.2% should perhaps be reviewed, but there was a need to forge new strategies, plans and policies in order to strengthen the Organization, which was the sole United Nations body dealing with shipping matters. He therefore supported the view that the budget had to be increased to allow the Organization to meet new challenges.

The meeting rose at 12.35 p.m.