INTERNATIONAL MARITIME ORGANIZATION

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SUMMARY RECORD OF THE EIGHTH MEETING

held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR on Thursday, 19 June 2003 at 2.30 p.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 18 - WORK PROGRAMME AND BUDGET FOR THE TWENTY-THIRD FINANCIAL PERIOD 2004-2005 (C 90/18, C 90/18/Corr.1, C 90/18/Add.1) (continued)

Mr. DAVIDSON (Australia) said Australia's policy in all United Nations agencies favoured a Zero Nominal Growth (ZNG) budget, in order to encourage reforms in work practices. There was ample evidence that IMO was aware of the need for such reforms and was making every effort to implement them, which was why Australia regarded it as the United Nations agency most worthy of support. Unfortunately, however, he would be unable to go back to his Government and report agreement on a 16% increase. While contributions had been kept under control, the figures showed that the Printing Fund had been underpinning a real growth in expenditure in the order of 15% in the current biennium.

For Australia, such an increase needed to be justified by the real return the Organization would deliver to the maritime industry. Whether the aim should be ZNG or ZRG was arguable, but it was not for Council Members to debate those issues, or to go into detail on the figures for each programme. It had to rely on the professionalism of the Secretariat to show how the work programme would be affected by a reduction in the budget proposed. All Member States had had to face budgetary constraints for the past 10 years, his own authority had reduced staff numbers, resulting in greater efficiency and effectiveness. IMO should lead the way in promoting fundamental changes in work attitudes.

Mr. CZERWINSKI (Poland), supported by Miss GARCÍA (Spain) and Mr. CHAABAN (Lebanon), endorsed the budget proposed by the Secretary-General.

Mr. RASMUSSEN (Denmark) said he shared the view expressed by Cyprus that Member States could not keep asking the Secretariat to take on more tasks without providing it with adequate resources. The budget document would benefit from greater clarity of presentation, since it was difficult for the reader to pick out what was essential.

His delegation appreciated the Secretary-General's proposal for strengthening the competencies of the Secretariat in respect of the IMO Model Audit Scheme.

Mr. VASSALLO (Malta) said the budget was one of the most important issues discussed by the Council every biennium. While he did not entirely agree with the proposals presented, there was need to keep a balance. While some had advocated aiming for ZRG, what was important was to ensure that the agreed work programme was properly funded. He did not think that the budget agreed by the Council should be supplemented during a biennium by donations from individual countries, since that would mean that programmes funded by such donations would have an unfair advantage over others.

He agreed with Australia that it was not possible for the Council to consider every budget item in detail: its task was rather to lay down certain general parameters. For example, his delegation could not agree to a transfer from the Printing Fund to anything other than technical co-operation.

He suggested that one way of making savings might be to cut down on the number of documents provided at Council meetings, and to encourage delegations to download them from the Internet. Another might be to reconsider the number of posts needed to carry out the Organization's work.

Mr. KORAN (United States) noted that the budget for the current biennium was some 15% higher than the previous one, and that the one proposed for the next biennium was some 16% higher than that, representing an increase of over 30% in four years. He doubted whether any Council Member States would be enjoying a 30% increase in their budgets over a four-year period. While he appreciated the increased demands placed on the Organization, IMO must find efficiencies and reduce the number of low priority items on its agenda to offset at least in part such rising costs.

He fully supported the Australian proposal made at the previous meeting that the Council should ask the Secretary-General to prepare two alternative budgets, one based on ZNG and the other on ZRG. He also appreciated the view expressed by the Russian representative that what was defined as ZRG in the budget might not in fact meet that definition.

He felt strongly that it was not the Council's role to go through the budget line by line, adding or cutting as it saw fit. Rather, it should direct the Secretariat to prepare two alternative budgets for consideration at its next session.

Mr. FRANSON (Sweden) pointed out that for some considerable time the membership had been starving the Organization, while at the same time calling on it to perform more and more tasks. He too supported the budget presented by the Secretary-General, although Sweden, like Australia, was faced with the situation of having to carry out more tasks with fewer financial and human resources. It was true that there was need for some rationalization, but he believed the Council should trust the Secretary-General and his staff as professionals, and give them the budget they were asking for.

Mr. HAG-BAE YOON (Republic of Korea) said he appreciated the need for an increase in programmes, and hence in programme costs, to cope with the increased challenges in the areas of maritime safety and security, environmental protection, technical co-operation and Secretariat services. At the same time, there might be some room for downsizing the proposed additional staff complement, representing a resource increase of £1.5 million.

Concerning the Headquarters Investment Programme, he fully supported the proposals contained in the annex to document C 90/18/Add.1, and endorsed the transfer of £500,000 from the Printing Fund surplus to the Headquarters Capital Fund. An additional transfer of at least £600,000 from the Printing Fund surplus to the Technical Co-operation Fund should be made, in the light of the revised focus of expenditure and income for publication activities presented in annex 2 to document C 90/17(b)/Add.1.

Mr. OZUGERGIN (Turkey) said as he saw it the budget presented was in fact a "zero real growth plus" budget.

Mr. ROWE (United Kingdom) said his delegation could not agree to a budgetary increase of over 16%, since his Government's policy in respect of all United Nations bodies was to pursue ZNG. He realized that Member States had been placing burdens on the Organization that must be financed. The question then arose whether further efficiencies within the Organization could help in part to finance them, and over what period of time. He fully shared the view that the Organization could safely rely on the professionalism of the Secretariat.

It had been urged that those who wanted economies made should specify them, but that would mean asking 40 Council Members individually to indicate which projects or activities should be curtailed, which was not a practical way forward. The Australian suggestion was a useful contribution to the decision-making process, and he supported it.

Mr. KAGIMBI (Kenya) expressed his support for the budget proposed by the Secretary-General. He hoped that on the next occasion the Secretariat would be able to produce a somewhat simpler and shorter budget document.

Mr. ALMEIDA (Brazil) said that due to economic constraints necessitating a 30% cut in Government expenditure, Brazil was unfortunately unable to approve the 16% increase proposed. He supported the action suggested by Australia.

Mr. EL DIN NASRAH (Egypt), supported by Mr. AHMED (Bangladesh), Mr. JINGLU HU (China) and Mr. ESCOBAR (Argentina), said that in view of the current situation, his delegation endorsed the proposal put forward by Australia.

Mr. ESCHERICH (Germany) said he appreciated the efforts by the Secretary-General to find a reasonable balance between the need to ensure effective execution of IMO's objectives and the growing constraints on Member States' budgets. His Government was not currently in a position to support an increase of 16% and therefore endorsed the Australian proposal.

He pointed out that account should be taken of the fact that major programme items such as the IMO Model Audit Scheme would be relevant to the budget only after the year 2005.

Mr. VASSALLO (Malta), in response to the point raised by Kenya, said that in the interests of transparency it was important to have detailed documentation on the budget, to enable Council Members to identify the various components.

Malta believed that the rental asked by the United Kingdom Government for the Headquarters building was too high, in view of the fact that other countries were proud to host a United Nations organization free of charge. Speedy action should be taken to remedy that situation.

Mr. FINLEY (Panama) noted that collectively those who had spoken in support of an increase of 16% contributed 13.01% of the total assessment of the Organization, whereas Panama had the privilege of contributing 19.12%.

A number of speakers had referred to the considerable sums being spent by various Administrations on maritime security. Panama was spending a not insignificant amount on preparing for full compliance by the ships under its flag with the amendments to SOLAS and with the ISPS Code, and was therefore currently unable to agree to a 16% increase in the budget.

Mr. HILL (observer, Liberia) shared that view. He drew attention to the list of Council Members who had not paid their contributions contained in annex 2 to document C 90/17(d)/Add.3. As he saw it, a non-profit-making organization should not arbitrarily increase its expenditure. Due account should be taken of the points raised by the Russian Federation, the United Kingdom and the United States, as well as of the fact that IMO was principally sustained by developing countries. Liberia, as the second highest contributor to IMO, could not support an increase as high as 16%.

He urged that instead of increases in manpower, IMO should aim at increases in efficiency.

Mrs. SEET-CHENG (Singapore) said it was clear that there were enough Council Members who could not support the increase to justify acceptance of the Australian suggestion. That would mean that the budget could be sent back to the Secretariat and reconsidered at the next session, since time would not allow it to be considered point by point at the present stage.

Mr. CHRYSOSTOMOU (Cyprus) reiterated that if Member States were to ask for additions to the work programme they should accept the budgetary increase that would follow. He noted that some of the additions requested had come from Australia. Certain States which had supported the Australian proposal, notably the United States and Panama, had in fact not paid their dues.

With reference to the Australian proposal that the Secretariat prepare two budgets, one based on ZNG and the other on ZRG, he pointed out that the Organization already had a ZNG budget.

Mr. GÓMEZ (Mexico) said that, although Mexico had not yet paid its contribution, it fully intended to do so. He supported the Australian position as his delegation, too, wished to have in place a viable and acceptable budget that took account of the current international situation.

Mr. CHAABAN (Lebanon) drew attention to the pressures faced by Member States, in particular by developing countries, in complying with IMO rules and regulations, for instance in providing port reception facilities and in implementing MARPOL 73/78 and the ISPS Code. From 2003, the European Union had imposed strict regulations on ships entering its ports which had caused considerable difficulties for many developing countries. Many Administrations had not yet had time to improve the effectiveness of their maritime programmes. He entirely supported the budget as presented and urged developed countries, especially those with high tonnages, to assume their responsibilities in relation to developing countries, notably by allocating sufficient funds to technical co-operation.

Mr. FINLEY (Panama) explained that, for a considerable number of years, Panama had paid its contribution in two tranches. The first tranche of its current contribution had already been paid and the second tranche would be paid prior to the Assembly that year. Panama was committed to fulfilling its obligations to the Organization in timely fashion.

Mr. ASUQUE (Philippines) said that Philippines would be paying the second tranche of its contributions shortly.

The CHAIRMAN noted that a majority of speakers had indicated that an increase of 16% was not acceptable and had urged that efficiencies and cost savings should be made. Equally, many speakers had acknowledged that some increase in the budget beyond ZNG would be acceptable. He suggested, therefore, that the Council might wish to accept the Australian proposal, without the requirement to prepare a ZNG budget. A ZRG budget could be prepared, reprioritizing the Organization's activities in order to produce an increase of less than 16%.

Mr. KORAN (United States) explained that it was the policy of his Government, in relation to the United Nations system, to adopt a ZNG approach. He requested, therefore, that a ZNG option be prepared for comparison purposes. If compelling evidence was presented that extra resources were required for programmes, the Council could approve the ZRG option.

Mr. ROWE (United Kingdom) agreed that it would be useful to have a ZNG budget prepared for purposes of comparison. That would allow the Secretariat the option of reallocating the monies in the budget in the light of priorities different from those put forward for the current biennium.

It would be helpful to his delegation if the Secretariat, in presenting the ZRG budget, could explain what assumptions had been used in determining what constituted real growth.

Mr. VASSALLO (Malta) again stressed that his delegation was not prepared to accept any budget that did not provide that all the surplus from the Printing Fund should go to the TC Fund.

It would be wrong to suggest that the budget was principally financed by developing countries, since in fact contributions were based on tonnage. In any event, all Member States, irrespective of the amount of their contribution, had the same right to participate in a debate on the budget: only if a Member State repeatedly failed to honour its financial obligations to the Organization would that right be removed.

He reiterated his proposal that in future discussion on the budget should take place on the first day of Council sessions, to allow sufficient time for responses to be given to questions raised.

The CHAIRMAN welcomed that proposal, and said that it would be taken into account when planning future meetings.

He recalled that the previous session of the Assembly had requested that the Organization's budget be prepared on a ZRG basis. He suggested that the Council agree, in principle, to the preparation of a ZRG budget, with a clear explanation of the assumptions on which it was based. The revised budget could be discussed at the next session of the Council just before the Assembly.

The SECRETARY-GENERAL agreed that it would be desirable to introduce the budget earlier in the week than had been the practice in the past.

He pointed out that the IMO Convention simply required him to prepare a budget for submission to the Council, and that requirement had been met. There had been no prior direction from the Council as to what should be included in the budget. While it had been clear that many delegations did not favour an increase, he noted that others had supported the budget as presented. He was aware that a number of countries faced difficulties in financing their contributions, and would produce the alternative presentation requested, although he believed the budget proposed, would enable all of the work the Council wished to be accomplished over the next biennium to be carried out.

Mr. CHRYSOSTOMOU (Cyprus) pointed out that paragraphs 9.7 to 9.9 of document C 90/18, concerning the scope of the proposed Model Audit Scheme, made reference to flag States only, whereas the scheme was also being designed for implementation by port and coastal States. He requested that the paragraphs be amended accordingly, and the corrected text presented to the extraordinary session of the Council prior to the Assembly. He further requested that in paragraph 15.5 the fourth sentence, beginning "This transfer would, however, require the Council's and Assembly's special approval …" should be deleted, since transfers from the Printing Fund to the Headquarters Capital Fund had been approved prior to Assembly resolution A.873(20).

He noted that two issues remained to be debated, first whether the surplus from the Printing Fund should go entirely to the Technical Co-operation Fund, or whether some of it should be redirected towards the general budget or towards the Headquarters Capital Fund, and secondly whether the £1,337,000 allocated for the Integrated Financial Planning and Accounting System (ERP) within the Headquarters Fund for 2004 and should be financed by the Headquarters Capital Fund or raised by contributions.

The CHAIRMAN invited comments on funding for the ERP system.

Mr. CHRYSOSTOMOU (Cyprus) said that in his view the ERP should be funded by contributions because it would be ill-advised to take £1,337,000 from the Headquarters Capital Fund without knowing, pending a report from the United Kingdom Government, how much the building refurbishment would cost. It was his understanding that consultants had indicated that the total costs of that refurbishment could be between £10 million and £15 million, and to deplete the Headquarters Capital Fund before the final figure had been agreed might leave the Organization with insufficient capital to finance its 20% contribution to those costs.

Mr. ROWE (United Kingdom) said that the first stage of the building options appraisal study to review the Organization's future accommodation requirements had now been completed. The consultants had conducted interviews with both delegations and the Secretariat, and were currently evaluating the information obtained. The United Kingdom proposed to present a range of options for consideration, both informally just prior to the extraordinary session of the Council and formally at the Council itself. It was expected that discussion of the various suggested options might continue throughout the biennium 2004-2005, until agreement was reached on formal ratification of the project. In practice, therefore, the budgetary implications of the current assessment might not be felt until the 2006-2007 biennium.

He recalled that the Headquarters agreement required the building to be maintained, which might involve a major refurbishment. Clearly, if the selected option were a large-scale one, there would be significant implications for the Organization’s budget, although his delegation would not attempt to assess those implications at the present stage. He suggested that the Council might decide to set up a working group to review the various options put forward during the course of the 2004-2005 biennium.

Mr. CHRYSOSTOMOU (Cyprus), supported by Mr. NASTRUCCI (Italy), agreed that it might be necessary to set up a working group in order to evaluate the options put forward by the United Kingdom. He was concerned that any depletion of the Headquarters Capital Fund might lead to difficulties in future bienniums, in particular in regard to the funding of refurbishment costs. He suggested that £300,000 be allocated to the Headquarters Capital Fund from the regular budget in each year of the coming biennium, supplemented by a loan of £500,000 from the surplus of the Printing Fund.

Mr. KORAN (United States) said that while in principle he was not opposed to the idea of borrowing from one Fund to give to another, he would appreciate an expert opinion from the External Auditors on the accounting implications of such borrowings and what kind of obligations they would entail.

Mr. JONES (Director, Administrative Division) said that the Council had been invited to examine the proposal by Cyprus that the cost of the Integrated Financial Planning and Accounting System (ERP) be covered by the regular budget. He referred delegations to the annex to document C 90/18/Add.1 where the figures under discussion were set out. When considering the proposal, delegations should bear in mind that the annex also showed the resource transfers proposed from both the regular budget and the Printing Fund surplus. It should be borne in mind that, for the previous 10 years, the Headquarters Capital Fund had financed a range of activities within the building without any contribution from the regular budget, either through transfers from accumulated reserves or transfers from the Printing Fund. Through a period of zero nominal growth, those reserves had become depleted.

As delegations had recognized, the surplus too was now being depleted, as 100% of staff costs were being charged to the regular budget. In deciding how to proceed, the Council should take into account that increasing liabilities in respect of the building, and ongoing liabilities in respect of systems, had be paid for in some way. If a liability was funded from the regular budget then it had to be recognized as an explicit liability that was ongoing. If a decision was taken not to increase assessments, and if there were no transfers from the Printing Fund to the Headquarters Capital Fund, then the latter would be depleted by the end of 2004.

The CHAIRMAN invited views on whether the £1,337,000 appearing in the annex to C 90/18/Add.1 in respect of Integrated Financial Planning and Accounting (ERP) should be funded from the regular budget.

The SECRETARY-GENERAL pointed out that that solution would place an additional burden on efforts to comply with the principle of ZRG, as the £1,337,000 would have to be taken out of the budget before any decisions were taken about how to fund the Organization's programmes.

Mr. CHRYSOSTOMOU (Cyprus) reiterated his view that ERP funding should be sourced from additional contributions payable by Member States.

Mr. KORAN (United States), supported by Mr. KOLESNIKOV (Russian Federation), Mr. KOBASHI (Japan), Mr. BELL (Bahamas) and Mr. DAVIDSON (Australia), took an opposing view. He did not wish to see any costs added over and above the ZRG regular budget the Secretary-General had been asked to prepare.

Mr. VASSALLO (Malta) said that financing the activities concerned from a ZRG regular budget would result in cuts in programmes, since any economies made would not generate sufficient savings. However, Member States were in fact asking for additional programmes. It therefore appeared that the only option was to request them to pay additional contributions.

Mr. RASSMUSSEN (Denmark), supported by Mr. FRANSON (Sweden), Mr. AZUMA (Ghana) and Mr. NASTRUCCI (Italy), endorsed the proposal made by Cyprus. The ERP system would bring benefits and savings. Moreover, the Secretary-General was already being asked to make substantial cuts in order to prepare a ZRG budget.

Mr. FINLEY (Panama), while supporting the United States proposal in principle, suggested that additional contributions might be solicited on the basis of use of the IMO Headquarters building. Delegations attending more meetings and with a larger number of representatives would pay a greater amount.

Mr. GRÉGOIRE (Canada) proposed that capital expenditures should be financed from the Headquarters Capital Fund.

Mr. FRANSON (Sweden) suggested that the Council should request the Secretary-General, in preparing the new ZRG regular budget, to outline possible options for meeting the capital expenditures concerned. The Council would then have a clearer picture of the situation at its next session.

The SECRETARY-GENERAL said that a decision of that nature would make it impossible for him to make any contractual arrangements regarding the ERP system prior to a decision by the Council in November 2003, thus delaying the introduction of the system still further. As indicated by Denmark, the ERP system would bring benefits and savings. The Council wished to see the ERP system financed from the regular budget, but appeared unable to take a decision to that effect at the current session. It would be extremely difficult to find the necessary finance within a ZRG regular budget: the only option that would allow work on the ERP system to move forward would be to borrow the necessary funds from existing reserves, the amount to be repaid through the regular budget process in due course.

Mr. CHRYSOSTOMOU (Cyprus), supported by Mr. GRÉGOIRE (Canada), proposed that the Secretary-General should be authorized to proceed with contractual arrangements for the ERP system, borrowing from the Headquarters Capital Fund as necessary. The Council could decide how those monies were to be repaid at its forthcoming session. He pointed out that the Council still needed to decide how the Printing Fund surplus was to be used.

Mr. SIVERTSEN (Norway) welcomed the clarification from the Secretary-General and supported his proposal.

Mr. KORAN (United States) reiterated his concern about the accounting implications of borrowing from Funds.

The CHAIRMAN said that he had been assured that there was no problem with such a procedure from an auditing point of view.

Mr. CHRYSOSTOMOU (Cyprus) noted that it had been proposed that £550,000 should be transferred in each year of the 2004-2005 biennium from the Printing Fund surplus to the Headquarters Capital Fund. He suggested that that transfer should be made in accordance with the general authorization given to the Secretary-General in resolution A.906(22) to draw upon the various Funds to finance an approved appropriation, advances to be reported to the Council and reimbursed as soon as and to the extent that income became available for that purpose. He supported the view of the TCC that the money was intended to be used for technical co-operation and should therefore be repaid.

Mr. VASSALLO (Malta), supported by Mr. AZUMA (Ghana), Mr. CHABAAN (Lebanon), Mr. RWELAMIRO (South Africa) and Mr. KAGIMBI (Kenya), said he could not agree with that suggestion, since the funds were needed for technical co-operation and, as indicated by the TCC, should all be transferred to the TC Fund. IMO should not continue to plan on the basis of surpluses from the Printing Fund, since that Fund would not be viable for much longer. Other sources of financing for the Headquarters Capital Fund should be found.

Mr. NASTRUCCI (Italy) drew attention to the inactive balances in respect of three funds listed in paragraph 79 of document C 90/17(b)/Add.2. Had those balances been included in the table contained in the annex to document C 90/18/Add.1?

Mr. JONES (Director, Administrative Division) said that the figures given in the annex to document C 90/18/Add.1 had been drawn up on the basis of transfers from other funds to the Headquarters Capital Fund amounting to £550,000 in each year of the 2004-2005 biennium. The three Trust Funds mentioned by the representative of Italy were dedicated to specific projects. With the agreement of the donors concerned, any surplus remaining in those Funds could be transferred to the Technical Co-operation Fund.

Mr. RASMUSSEN (Denmark) supported in principle the proposal made by Cyprus, but asked whether in fact the funds to be borrowed would make a critical difference to IMO's technical co-operation activities. He sought clarification on the inactive balances referred to by Italy.

Mr. JONES (Director, Administrative Division) said that he did not have detailed figures available for the trust funds mentioned. It was sometimes the case, however, that following completion of projects, more money was spent seeking agreement from donors regarding payment of money owed or transfer of surpluses remaining than was contained in the funds themselves. He therefore suggested that in future donors might be asked at the outset to agree to any surpluses being transferred automatically to the TC Fund.

Mr. GÓMEZ (Mexico) considered that all Printing Fund surpluses should be used for technical co-operation, even if that meant delaying the introduction of the ERP system.

Mr. SIVERTSEN (Norway) supported the proposal made by Cyprus on the understanding that the money borrowed from the Printing Fund would be repaid.

Mr. CHRYSOSTOMOU (Cyprus) agreed that Printing Fund surpluses should be transferred to the TC Fund. However, the Technical Co-operation Division, which was responsible for the ITCP and the use of the TC Fund, had indicated a requirement for £1.4 million while the total available was £2.4 million. There was thus a surplus to immediate requirements and it should be possible to draw on that surplus in the meantime. It was preferable to borrow the sum needed rather than transfer it directly to the Headquarters Capital Fund. Another option for financing the Headquarters Capital Investment Programme would be to increase contributions by Member States, an option which for many Member States was not desirable.

Mr. EDWARDS (Director, Technical Co-operation Division) explained that the projected financial status of the TC Fund was set out in table 1 of document TC 53/5 and would be considered by the Council under agenda item 19. The Technical Co-operation Division had been advised that £1.4 million would be available for transfer from the Printing Fund surplus to the TC Fund, and had made plans accordingly. Committed funds amounted to £3.245 million, so that the total allocation for the 2004-2005 biennium would amount to £5 million. The entire ITCP had an estimated value of some £14 million, so that additional funds would need to be sought. There was therefore no doubt that all the Printing Fund surplus could be used for technical co-operation.

The SECRETARY-GENERAL said that he appreciated the desire expressed by many speakers that all Printing Fund surpluses should be transferred to the TC Fund. Since the proposed transfer to the Headquarters Capital Fund was not required immediately, the most appropriate solution might be to delay a decision pending the preparation of the revised draft regular budget, during which he would seek suitable options. The Council could then discuss the matter further at its forthcoming extraordinary session.

The CHAIRMAN noted that the Council had had an extensive discussion on the Secretary-General's work programme and budget for the twenty-third financial period 2004-2005. He invited the Council to express its appreciation to the Secretary-General for a balanced and transparent document, and to commend him for presenting a work programme which recognized the many challenges facing the Organization; to agree, in principle, to a Zero Real Growth (ZRG) budget, taking into account the comments made by the Council; to additionally request the Secretary-General to provide an assessment, within the framework of a ZRG budget, of the programme options and priorities for absorbing the new demands for which the Secretary-General sought additional funding, for consideration at its twenty-second extraordinary session in November 2003.

He further invited the Council, to enable the planned ERP system to proceed without further delay, to decide that it be financed on an interim basis by utilizing reserves from the Headquarters Capital Fund. A final discussion on the source of funding, either by an additional assessment over and above a ZRG budget or from the Headquarters Capital Fund, would be taken at the twenty-second extraordinary session of the Council in November 2003. At that meeting, the Council would also take a final decision on the future replenishment of the Headquarters Capital Fund, either by transfer from the Printing Fund or by the introduction of a new line item in the regular budget. In response to a request to make drafting changes to paragraphs 9.7 to 9.9 of document C 90/18, to clarify the scope of the proposed Model Audit Scheme and to paragraph 15.5, to clarify the decision of the Assembly at its twenty-second session, concerning transfers from the Printing Fund to the Headquarters Capital Fund, he invited the Council to agree that these clarifications should be transmitted to the twenty-third session of the Assembly.

It was so decided.

AGENDA ITEM 19 - TECHNICAL CO-OPERATION FUND

(a) REPORT ON ACTIVITIES OF THE 2002-2003 PROGRAMME (C 90/19(a); TC 53/2/1)

The SECRETARY-GENERAL said that document C 90/19(a) was a cover note referring the Council to document TC 53/2/1, the substantive paper which, in its annex, provided an interim report on the status of implementation of the technical co-operation activities being financed or co-financed through the TC Fund. Such activities included those approved for execution during 2002-2003, as well as some residual activities rolled over from the previous biennium. The interim report had been prepared in accordance with the Rules of Operation of the TC Fund and, at its recent fifty-third session, the TCC had taken note of its contents with appreciation. The report was self-explanatory and should be viewed in the context of the ITCP for 2002-2003. The TC Fund accounted for some 42% of the financing available to that programme during the first year of the biennium; a final report on the full two-year period would be submitted to the Council and the TCC in 2004.

He thanked the many partner States, institutions and recipient countries which had provided cost-sharing contributions for IMO's TC Fund activities, in terms of cash resources or in-kind support in the form of experts and facilities, and encouraged them to continue their generous support. The concept of partnership was most appropriate in relation to technical co-operation activities and IMO would continue to seek Memoranda of Understanding that included contributions from donors.

The CHAIRMAN invited the Council to take note of the information provided in the interim report on the technical co-operation activities that were being supported by the TC Fund, and to express its appreciation to the Organization's development partners and to the Secretary-General for the assistance that was being provided to the developing countries.

It was so decided.

(b) PROPOSED PROGRAMME FOR 2004-2005 (C 90/19(b); TC 53/5)

The SECRETARY-GENERAL said that document C 90/19(b) referred the Council to the substantive document TC 53/5, which contained proposals for a biennial allocation from the TC Fund to support the ITCP for 2004-2005. Those proposals had been approved by the TCC at its fifty-third session. Document TC 53/5 consisted of a cover note with a rationale for the TC Fund allocation, and an annex showing proposals as to how the monies would be used. Those proposals conformed to the Rules of Operation of the Fund, and to the TCC's policy decision that the biennial allocation should support the core activities of the ITCP.

The ITCP for 2004-2005 comprised 26 regional and global programmes, with an estimated value of some US $14.1 million. To support its execution, the TCC had approved his proposal for an allocation of £5 million (or some US $7.85 million), which would cover 56% of the total funding requirement. The biennial allocation could be financed from available monies in the TC Fund and - in accordance with the Assembly's decisions and his proposals on the work programme and budget for the next biennium - by a transfer of £1.4 million from the Printing Fund surplus. With respect to the latter transfer, and as reported under item 7 of the Council's agenda and in document C 90/7/1, the TCC had decided at its fifty-third session to recommend that the Council approve the transfer of all the Printing Fund surplus to the TC Fund. For financial forecasting and planning of activities, £1.4 million of the surplus would be used immediately for the activities planned for 2004-2005.

Without taking into account any further surplus that might be transferred to the TC Fund, the biennial allocation would ensure the full completion of the core activities of the new ITCP by providing 46% of the funding required for each region, and 71% of the requirement for the global programmes. The annex to document TC 53/5 identified, in a fully transparent manner, exactly which activities would be supported by the allocation, as well as their objectives and their relationship to the Organization's major programmes. It also identified the remaining activities that would have to be delivered, if possible, through external donor contributions.

The data presented were self-explanatory and showed clearly how the TC Fund allocation would support the development of institutional and human capacities for the efficient performance of maritime operations in accordance with IMO's global standards. He nevertheless wished to highlight paragraphs 10 to 19 of the cover note, which summarized the main purposes in the use of the resources. Some 68% of the funding would support activities related to certain technical priorities - including new ones, such as maritime security - that were specifically aimed at improving flag and port State compliance. The remaining 32% would cater for global advisory services and fellowships, the promotion of women in the maritime sector, and the regional co-ordination and partnership-building scheme. The latter would build on the success of IMO's regional presence in Africa, thereby providing additional support to that region, enabling the Organization to maintain and expand such modalities, as well as other forms of partnership, in other developing regions. The Secretariat would continue its resource mobilization efforts to secure external co-funding for the new ITCP.

The TC Fund allocation represented 56% of the total requirement, and he hoped that such a firm commitment by IMO would attract cost-sharing contributions from development partners in order to meet the growing demand for technical assistance. In that context, he referred to paragraphs 21 and 22 of document TC 53/5 in which, in accordance with the Rules of Operation of the TC Fund, the Council's authorization was sought for the use of unprogrammed funds, in order for IMO to take advantage of partnership opportunities that might arise in the next biennium, and also to address any unprogrammed technical assistance needs. He recalled that, at its fifty-third session, the TCC had approved such authorization.

In conclusion, and taking into account the TCC's decisions at its fifty-third session, he recommended the Council's endorsement of his proposals, and its approval of the TCC's recommendation with respect to the transfer of any additional surplus monies from the Printing Fund to the TC Fund. Finally, he again urged all donors to join IMO's commitment to the new ITCP by providing cost-sharing contributions so that the programme can be delivered in its entirety.

The CHAIRMAN invited the Council to approve the transfer during the next biennium of a minimum amount of £1.4 million from the Printing Fund to the TC Fund; with the understanding that a decision on the transfer of all additional surpluses in the Printing Fund to the TC Fund, as requested by the Technical Co-operation Committee at its fifty-third session, would be deferred to the Council’s twenty-second extraordinary session; to endorse the proposed biennial allocation of £5 million from the TC Fund and its programmed use, to support the ITCP during 2004-2005; and to authorize the Secretary-General to use, during the next biennium, the unprogrammed funds of the TC Fund should demands or partnership opportunities arise.

It was so decided.

Mr. VASSALLO (Malta) remarked that it was somewhat ironic to note that the Secretary-General was, quite rightly, appealing for external funds and there was strong commitment to technical co-operation by Member States, yet the Council had been unable to decide that the Printing Fund surplus should be transferred to the TC Fund.

AGENDA ITEM 20 – REVIEW OF THE ORGANIZATION’S FINANCIAL FRAMEWORK IN ACCORDANCE WITH ASSEMBLY RESOLUTION A.906(22) (C 90/20)

The SECRETARY-GENERAL said the item related to the Council’s ongoing review of the Organization’s financial framework on the basis of successive Assembly mandates. The Council had been provided with up-to-date analytical material concerning the status of contributions to the Organization. As part of that review, the Council had also been provided with the historical background to the development and operations of the Organization's Contributions Incentive Scheme in document C 89/21. At its eighty-ninth session, the Council had invited Member States to make proposals on the case for further change in the Organization's financial framework for consideration at the present session. No submissions on the subject had been received.

The draft report to the twenty-third session of the Assembly, which was annexed to document C 90/20, was based on previous updates and reiterated the Council's advice to the Assembly at its twentieth, twenty-first and twenty-second sessions that, against the background of the improved financial position, the case for changing the package, including the assessment formula, was not strong and that no change should be made to IMO's financial framework. The report also included background information on the practice and experience of other United Nations organizations which had similar contributions incentive schemes. The Council might wish to consider the draft conclusion of the Council on the review exercise, set out in paragraph 6 of the draft report, namely that the Council should continue to monitor closely the status of contributions, and report to the subsequent session of the Assembly.

He was pleased to report to the Council that the 98% level of contribution receipts in 2001 and 2002 was probably one of the best performances in the United Nations system. The improved level of contribution receipts remained mainly attributable to the package of measures agreed at the Assembly's seventeenth session, which had been designed to restore the financial health of the Organization, together with the combined efforts from Member States to meet their commitments in accordance with the Financial Regulations. However, Council would appreciate that it should show strong political determination each year in that regard. He expressed appreciation to Member States that had fulfilled their commitments and said he expected that the Organization would achieve a similar record level of contribution receipts in 2003.

The CHAIRMAN invited the Council to welcome the Organization's improved contribution position; to note the Secretary-General's updated statistical analysis, which had formed part of the Council's report to the twenty-second session of the Assembly; and to note the practices and experience of other United Nations organizations which had in place a Contributions Incentive Scheme. Since the Council remained of the view that there appeared to be no strong desire to see a further change at present in the IMO financial framework, he invited it to endorse the draft report, including the conclusion in paragraph 6, and to request the Secretary-General to forward the report to the twenty-third session of the Assembly.

It was so decided.

The meeting rose at 5.40 p.m.