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COUNCIL  
102nd session  
Agenda item 5(c)

C 102/5(c)  
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## RESOURCE MANAGEMENT

### (c) Report on investments

#### Note by the Secretary-General

#### SUMMARY

|                             |  |
|-----------------------------|--|
| <i>Executive summary:</i>   | This document reports on the investment of the Organization's monies during 2008 |
| <i>Strategic direction:</i> | 4  |
| <i>High-level action:</i>   | 4.1.1  |
| <i>Planned output:</i>      | N/A  |
| <i>Action to be taken:</i>  | Paragraph 10   |
| <i>Related document:</i>    | C 100/5(e)   |

#### Introduction

1 Article IX of the IMO Financial Regulations requires the Secretary-General to report periodically to the Council on the investment of the Organization's monies not needed for immediate requirements.

2 The Organization operates an Investment Procedures Policy, which sets out the process to be followed when assessing and investing excess funds. Amongst other matters, this requires a monthly forecast of cash income and disbursement in order to determine funds available for investment; the use of only major financial institutions when placing investments; and a working maximum of £10,000,000 to be placed on deposit with each in order to diversify treasury risk. Under the evolving economic conditions, the Organization sought advice from its independent treasury advisor on a regular basis throughout the year and has adopted a risk averse policy in relation to its investment portfolio.

#### Investments and interest earned in 2008

3 The cash balance, including term deposits in the General Fund as at 1 January 2008, was £5,899,636. The level of funds available in the General Fund for short-term investments as bank deposits throughout the year depends on the monthly flow of contributions received from

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Member States; actual monthly disbursements incurred for approved expenditure; and transfers to and from other funds as approved by the Assembly, at its twenty-fifth regular session in November 2007, by resolution A.991(25) and subsequently the Council, at its 100th session in June 2008 (C 100/5(e)). During 2008, £920,000 and £1,000,000 were transferred, from the General Fund, to the Headquarters Capital Fund and the Termination Benefit Fund respectively and £500,000 was received from the Printing Fund.

4 The Printing Fund commenced 2008 with a cash balance including term deposits of £7,328,961. Sales of publications remained at a high level throughout the year under review. During the year, in addition to the transfer of £500,000 to the General Fund (as stated above), the following additional transfers were made from the Printing Fund:

- .1 £2,195,600 to the Headquarters Capital Fund;
- .2 £3,477, 990 to the Technical Co-operation Fund;
- .3 £394,170 to the Termination Benefit Fund;
- .4 £69,560 to the Training & Development Fund,

in accordance with Assembly resolution A.991(25) and the Council's approval at its 100th session.

5 The level of funds invested in short-term deposits at the end of each month for the respective Funds is shown in the annex to this document, which also shows the interest earned during 2008.

6 The bank base interest rate at 1 January 2008 was 5.50%. It was reduced to 5.25%, 5.00%, 4.50%, 3.00% and 2.00% in February 2008, April 2008, October 2008, November 2008 and December 2008, respectively. The Organization consistently earned interest rates in excess of this on its Sterling investments on one and three-month deposits. In addition, the Organization places unused cash balances, which are not available to deposit for at least one month, into its Business Premium Account, where the average interest rate paid during 2008 was 2.07%, representing a slight decrease on the average of 2.19% during 2007.

7 The table below sets out the interest earned in 2008 in respect of the various funds of the Organization with comparative figures for the previous four years.

| Fund                          | Interest earned in Sterling |                |                |                  |                  |
|-------------------------------|-----------------------------|----------------|----------------|------------------|------------------|
|                               | 2004                        | 2005           | 2006           | 2007             | 2008             |
| General Fund*                 | 171,600                     | 305,922        | 396,335        | 606,543          | 482,606          |
| Headquarters Capital Fund     | 87,323                      | 64,063         | 119,261        | 178,573          | 274,365          |
| Printing Fund                 | 84,256                      | 160,109        | 149,080        | 289,885          | 189,008          |
| Technical Co-operation Fund   | 243,408                     | 167,638        | 163,865        | 226,285          | 291,670          |
| Termination Benefit Fund      | 41,602                      | 34,622         | 35,341         | 45,650           | 102,351          |
| Training and Development Fund | 4,849                       | 6,083          | 8,680          | 16,863           | 17,224           |
| <b>Total</b>                  | <b>633,038</b>              | <b>738,437</b> | <b>872,562</b> | <b>1,363,799</b> | <b>1,357,224</b> |

\* The General Fund balance includes interest received on investments held on behalf of the Working Capital Fund and interest due to Member States through the Contributions Incentive Scheme. It does not include interest received by the General Fund on investments held by certain donor funds under the terms of the agreements with donors.

8 The total interest earned for 2008 in the General Fund amounted to £482,606 and comprised:

|  | £                      |
|--|------------------------|
| .1 interest on contributions receipts            | 370,482                |
| .2 interest on opening cash balances             | 9,167                  |
| .3 interest on Working Capital Fund cash balance | <u>102,957</u>         |
|  | <b><u>£482,606</u></b> |

9 The Contributions Incentive Scheme, which commenced in 1988, provides for interest earnings on contributions to be returned to Member States in proportion to the timing of payment of their current year's contributions. The interest earned on contributions receipts during 2008 of £370,482 will be available for distribution in the year 2010 and will be dependent on the availability of a cash surplus in the General Fund as at 31 December 2009.

**Action requested of the Council**

10 The Council is invited to take note of the information contained in this document.

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## ANNEX

## TERM DEPOSIT INVESTMENTS IN 2008

|                              | General Fund* | Headquarters<br>Capital Fund | Printing<br>Fund | Technical<br>Co-operation<br>Fund | Termination<br>Benefit<br>Fund | Training &<br>Development<br>Fund |
|------------------------------|---------------|------------------------------|------------------|-----------------------------------|--------------------------------|-----------------------------------|
| <b>2008</b>                  | £             | £                            | £                | £                                 | £                              | £                                 |
| 31 January                   | 5,212,996     | 5,067,067                    | 30,315           | 6,253,656                         | 2,069,096                      | 358,767                           |
| 28 February                  | 8,443,160     | 5,089,281                    | 2,401,951        | 6,417,731                         | 2,078,162                      | 360,335                           |
| 31 March                     | 7,069,973     | 6,926,555                    | 2,005,012        | 6,223,284                         | 2,087,276                      | 361,912                           |
| 30 April                     | 10,587,278    | 6,968,698                    | 2,112,948        | 6,292,574                         | 2,102,090                      | 364,481                           |
| 31 May                       | 10,505,927    | 6,999,764                    | 2,122,101        | 5,898,421                         | 2,111,503                      | 366,104                           |
| 30 June                      | 12,265,283    | 4,801,525                    | 3,402,005        | 5,695,998                         | 1,832,745                      | 311,468                           |
| 31 July                      | 9,862,285     | 5,017,528                    | 2,925,117        | 5,352,730                         | 2,268,838                      | 312,983                           |
| 31 August                    | 9,900,010     | 4,373,193                    | 2,937,345        | 4,843,913                         | 2,260,970                      | 314,301                           |
| 30 September                 | 10,570,784    | 3,799,604                    | 4,006,351        | 4,506,801                         | 1,882,491                      | 302,123                           |
| 31 October                   | 10,907,770    | 3,820,294                    | 2,540,905        | 4,024,029                         | 1,392,602                      | 303,721                           |
| 30 November                  | 6,292,682     | 4,196,895                    | 2,142,842        | 4,933,565                         | 1,781,736                      | 286,459                           |
| 31 December                  | 7,451,948     | 4,284,422                    | 5,722,642        | 4,262,946                         | 1,904,146                      | 271,501                           |
| Interest<br>Earnings<br>2008 | 482,606       | 274,365                      | 189,008          | 291,670                           | 102,351                        | 17,224                            |

\* The General Fund maintains all investments in respect of the regular budget and the Working Capital Fund.