INTERNATIONAL MARITIME ORGANIZATION

IMO

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SUMMARY RECORD OF THE SECOND MEETING

held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR on Monday, 29 June 2009 at 2.30 p.m.

Chairman:	Mr. J. FRANSON (Sweden)
Vice-Chairman:	Mr. D. NTULI (South Africa)
Secretary-General:	Mr. E. E. MITROPOULOS

A list of participants is given in document C 102/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 11 December 2009.

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

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AGENDA ITEM 2 – REPORT OF THE SECRETARY-GENERAL ON CREDENTIALS (C 102/2) (continued)

The SECRETARY-GENERAL reported that all Council Member credentials had been drawn up in conformity with the provisions of Rule 9 of the Rules of Procedure of the Council.

AGENDA ITEM 4 – ORGANIZATIONAL REFORMS (C 102/4 and C 102/4/1) (continued)

The SECRETARY-GENERAL expressed the Secretariat's agreement with the written proposal submitted by the United States to amend the first sentence of Regulation 4.5 of Article IV of the Organization's Financial Regulations and Financial Rules, which appeared in annex 2 of document C 102/4/1.

Mr. WINBOW (Director, Administrative Division) clarified that the first sentence of Regulation 4.5 applied to specific strategic results and not to the total appropriation. The text would therefore read, "The Secretary-General may make transfers from one strategic result to another provided that the transfer made is not more than 10 per cent of the lower of the two approved appropriations."

Mr. FARIS (United States) confirmed that the amendment as read out by Mr. Winbow accurately reflected what had been agreed.

The CHAIRMAN invited the Council to note the information set out in documents C 102/4 and C 102/4/1, as well as that provided orally by the Secretary-General.

With regard to document C 102/4 (reporting on progress with the implementation of recommendations made by the Joint Inspection Unit (JIU) on the review of management and administration in IMO (JIU/REP/2007/7); and the follow-up action taken in response to the review undertaken by the United Nations International Computing Centre (UNICC) of the Organization's Information and Communication Technology (ICT) services), he invited the Council to note the response to the recommendations made by both the JIU and UNICC.

With regard to document C 102/4/1 (reporting on developments with respect to the implementation of the International Public Sector Accounting Standards (IPSAS) and the project to update the Organization's SAP system, as well as its functionality, to include both human resources (HR) and payroll functions), he invited the Council to note the information provided on progress made towards the introduction of IPSAS in the Organization; to approve the Organization's revised Financial Regulations, as amended, to take effect from 1 January 2010, together with the associated draft Assembly resolution; and to forward them to the twenty-sixth regular session of the Assembly for adoption; and to note the information provided on progress on the project to upgrade the Organization's SAP system and implement SAP HR and payroll functions, noting, in particular, the future outsourcing of hosting and support of the system and the consequent changes in the scope of the project and the consequent budgetary impact.

It was so decided.

AGENDA ITEM 5 – RESOURCE MANAGEMENT:

(a) PERSONNEL MATTERS, INCLUDING AMENDMENTS TO THE STAFF REGULATIONS AND STAFF RULES (C 102/5(a), C 102/5(a)/1, C 102/5(a)/2, C 102/5(a)/3 and Corr.1)

The SECRETARY-GENERAL, introducing document C 102/5(a), which reported on changes in pay and benefits payable to staff members under the United Nations common system rules, confirmed that the decisions taken by the United Nations General Assembly at its sixty-third session had been implemented by the Organization with effect from 1 January 2009, in accordance with the decisions of the Council at its 101st session. He recalled that those decisions related to the introduction of a new base salary scale for staff in the Professional and higher categories on a no gain/no loss basis, new ceilings for the education grant and revised allowances for children and secondary dependants for staff.

Introducing document C 102/5(a)/1, he noted that amendments had been made to the Organization's Staff Rules to clarify the existing text and to implement evolving staff requirements and incorporate new developments in the United Nations common system. The principal rules enacted dealt with the introduction of a code of core values reflecting current rights, obligations and standards of conduct for staff members, as promulgated by the International Civil Service Commission (ICSC); provisions relating to IMO policy on prohibition of discrimination or harassment and other unacceptable conduct in the workplace, and the policy on the prevention and detection of fraud; regulation of outside activities, conflicts of interest and other related matters; application of the United Nations Inter-Agency Mobility Accord relating to the transfer of staff members between organizations in the United Nations common system; new criteria for enhancing staff performance; compensatory leave for overtime for Professional staff; classification of Professional and General Service posts; and a new comprehensive regime for dealing with disciplinary matters, consistent with current judicial principles and in line with wider United Nations developments, a detailed report of which was contained in document C 102/5(a)/2.

The text of the amendments, with an explanation of the changes and references to their provenance, were outlined in annex 1, and additional appendices relating to the new Rules would be added to the Staff Rules in due course.

In response to comments made by the United Kingdom representative concerning the IMO recruitment and promotion process earlier in the current session under agenda item 4, he recalled the recommendation by the United Nations Joint Inspection Unit, brought to the Council's attention at its 100th session in June 2008, that the Secretary-General should discontinue the practice of personal promotion and direct recruitment in order to enhance competitiveness, transparency and fairness with regard to recruitment and promotions, as reported in document C 100/15(b). The reaction of the Council to that recommendation, as reflected in paragraph 15(b).4 of the Summary of Decisions, document C 100/D, had been to allow the Secretary-General the flexibility to manage staff as he saw fit, always in the best interests of the Organization.

Turning to document C 102/5(a)/2, he reported that in December 2008 the United Nations General Assembly had adopted resolution 63/253, which provided for a new independent, transparent, professionalized and decentralized system of administration of justice within the United Nations system, consistent with the relevant rules of international law and the principles of the rule of law and due process.

Under the current system used by IMO, following the exhaustion of all internal dispute resolution procedures a staff member could appeal against an administrative decision to the United

Nations Administrative Tribunal (UNAT). Under the new system, as of 1 July 2009 IMO would no longer be able to send any new cases to UNAT (IMO currently only had one case pending) and the Tribunal itself would be abolished as of 31 December 2009. The 1964 agreement between IMO and the United Nations providing for the extension of the UNAT's jurisdiction to IMO would cease after that date and the Organization therefore needed to decide how to proceed with respect to the new system.

The options available were either option (a), a two-tier judicial review system, or option (b), a single-tier judicial review system. Under option (a), IMO could retain its current internal system, *i.e.* a staff member wishing to appeal against an administrative decision would have recourse to the United Nations Dispute Tribunal (UNDT), which had been established as the first instance tribunal of a two-tier formal system. UNDT decisions would be subject to appeal to the United Nations Appeals Tribunal (a new UNAT) and the Secretary-General of IMO would retain discretion regarding the final implementation of the UNAT decision. For example, he might pay compensation in lieu of restoration of employment. As to the financial implications of option (a), the costs of the UNDT and UNAT would be subject to United Nations cost-sharing arrangements based on the total number of IMO staff, although no indication of the level of costs had yet been received from the United Nations. Furthermore, as stated in paragraph 13 of document C 102/5(a)/2, since the new system was not yet in place, there was no evidence that a two-tier United Nations Tribunal system would function better for IMO than the single-tier appeal system.

Under option (b), IMO could also retain its internal recourse mechanism but, unlike option (a), there would only be one level of judicial review, the new UNAT. The system would therefore function similarly to the system of administration of justice currently in place in IMO. As to the financial implications of option (b), the cost-sharing arrangement would be tied to the number of cases filed against the Organization in a particular year rather than based on staff numbers, which was expected to reduce costs considerably compared to option (a), since past experience showed that few cases emanated from IMO.

The SECRETARY-GENERAL advised that an alternative option would be for IMO to utilize the Administrative Tribunal of the International Labour Organization (ILOAT). However, a major difference between the current IMO/UNAT system and the ILOAT system was that the Secretary-General of IMO did not have discretion regarding the final implementation of any decision made under the ILOAT system. In addition, the ILOAT Statute did not set an upper limit of compensation and IMO might therefore have to pay much higher awards of compensation to a successful complainant. For those reasons and given the cost implications given in paragraph 21 of document C 102/5(a)/2, he did not recommend the ILOAT option to the Council.

He recommended that the Council should adopt option (b), on the grounds that it was relatively cost efficient, easy to implement, similar to the current IMO system and retained discretion for the Secretary-General to pay compensation in lieu of rescission of an administrative decision.

Mr. LARRAÑAGA (Chile) supported option (b), which offered a fair balance between the need for internal procedures and the need for due process to enable staff to make use of all possible legal channels open to them so as to ensure they receive their full rights.

Mr. FARIS (United States) agreed that option (b) was the most favourable choice and that it was not advisable to utilize the ILOAT. He suggested that careful consideration should be given to ensuring the full pursuit of an informal system of dispute resolution before a case reached the formal level, possibly taking into account the Joint Inspection Unit's (JIU) recommendation on establishing an ombudsman's position, although not necessarily creating such a position.

The SECRETARY-GENERAL confirmed that an informal procedure was already in place, with a clearly delineated referral procedure for staff with grievances, moving upwards from line manager, head of section, senior deputy director, the Director of Administration, through to the Secretary-General. If the complainant was still dissatisfied, they could then pursue the formal procedure.

Introducing document C 102/5(a)/3 and its Corr.1, the SECRETARY-GENERAL recalled that he reported periodically on the situation with regard to the recruitment of women at IMO. A table showing the percentage of women at all grades in the Professional and higher categories could be found on page two of the document. As of 31 March 2009, the percentage of women employed by the Organization in the Professional and higher categories was 43.8 per cent. In grades P.2 to P.5, it was 48.7 per cent, while in category D.1 and above it was 20.0 per cent. In the D.2 category alone the figure was 50 per cent, possibly making IMO the only United Nations organization where the highest level of management had a 50:50 male-female employee ratio. As usual, he would encourage governments to continue proposing well-qualified female candidates for vacant posts whenever possible.

Turning to geographical distribution of posts, he noted that the relevant information, as of 31 March 2009, was annexed to document C 101/5(a)/3. There were 107 posts in the Professional and higher categories at IMO headquarters subject to geographical distribution, which were filled by staff from 54 Member States of the Organization and every effort was being made to ensure as wide a geographical distribution of staff members as possible. As requested by the Council at its ninety-fourth session, the annex also contained data pertaining to IMO staff members in the regional offices – three in Africa, one in South East Asia and one in the Caribbean – which further demonstrated the Organization's geographical diversity.

Regarding the age of IMO staff members, the graph on page three of the same document showed that 50 per cent of Professional staff members were 52 years of age or older and 30 per cent had already reached the early retirement age at which they could leave at any time under the Rules of the UN Joint Staff Pension Fund. As a result, the turnover rate for Professional staff would steadily increase. The Secretariat was closely monitoring the situation and appropriate succession plans to address that trend would be developed in due course.

Moving on to staff development and training, he said that, as part of the staff development programme, 42 courses had been held in the 12 months to March 2009, for a total of 336 participants. The courses covered a broad spectrum of subjects, including project management, teamwork, goal-setting and performance management, as well as a wide range of courses in the area of information technology and communications. Although he was pleased with the execution of the programme, there were plans to strengthen it further as necessary and appropriate.

The CHAIRMAN invited the Council to note the information contained in the documentation, as well as that provided orally by the Secretary-General. He also invited the Council to note the information contained in document C 102/5(a), reporting on the implementation, by the Organization, of the decisions of the United Nations General Assembly with respect to the recommendations contained in the 2008 report of the International Civil Service Commission.

With regard to document C 102/5(a)/1, reporting on amendments to the Staff Rules, he invited the Council to note the information set out therein, as well as information provided orally by the Secretary-General with respect to the Organization's policies on recruitment and promotions.

With regard to document C 102/5(a)/2, he invited the Council to note the information on a new system of administration of justice in the United Nations and its implications for IMO, and endorse the Secretary-General's recommendation that option (b), which maintains a single-tier judicial review system, in line with the system of administration of justice currently applied in IMO, be adopted.

Finally, he invited the Council to note further the information contained in document C 102/5(a)/3 and its corrigendum, reporting on the recruitment of women, the geographical and age distribution of staff, and staff development and training.

It was so decided.

(b) ACCOUNTS AND AUDIT: FINAL ACCOUNTS FOR THE FIRST CALENDAR YEAR OF THE TWENTY-FIFTH FINANCIAL PERIOD AND TRANSFERS WITHIN THE 2008 BUDGET (C 102/5(b) and C 102/5(b)/1)

The CHAIRMAN welcomed the representatives of the External Auditor, the Additional Deputy Comptroller and Auditor General of India, Mr. Narenda Singh and Mr. Jayant Sinha, Principal Director of Audit. He then invited the Secretary-General to introduce documents C 102/5(b) and C 102/5(b)/1.

The SECRETARY-GENERAL, also extending a warm welcome to the representatives of the External Auditor, said that, as the Organization's Chief Executive and Accounting Officer, he was pleased to report that the External Auditor had been able to issue an unqualified report for the first year of the Organization's twenty-fifth financial period 2008-2009.

During the year under review and in terms of budget management, the Organization had realized an excess of income over expenditure of approximately £1.8 million, including prior-year adjustments and transfers. Savings generated through careful management of posts and the organizational reforms introduced during the year had contributed to that sound performance. He also reported that, for the second consecutive year, the Printing Fund had maintained a high level of sales exceeding a record level of £9.4 million.

The collection rate of 98.02 per cent of assessed contributions, which was slightly lower than the 2007 rate of 99.33 per cent, had contributed to strengthening the Organization's cash position by approximately £1.4 million. That good outcome should also be considered against the accumulated arrears of £1.3 million, which were the lowest ever, resulting from the settlement of long outstanding arrears by several Member States.

He said that 2008 had been a challenging year for the Organization in financial terms, due to volatility surrounding the major currencies, an increase in systemic risk in the global financial markets, a higher than expected level of staff retirements resulting in an increase in health insurance premiums, and additional costs in areas such as utilities. The Organization remained in good financial health but the key to maintaining that situation, particularly its cash position, was the timely remittance of assessments from Member States.

The reforms and reorganization implemented by the Organization had resulted in reallocation of resources within the Secretariat. Unavoidable increases in expenditure in some areas had been addressed by seeking corresponding savings elsewhere. Accordingly, he sought the Council's formal approval, in paragraph 7 of document C 102/5(b), for year-end budgetary transfers between major programmes in accordance with the Organization's Financial Regulations and Financial Rules.

In conclusion, he noted that there were no significant differences between the Organization's External Auditor and the Secretariat. He paid tribute to his colleagues in the Secretariat for their contribution to the good results he had reported.

Mr. SINGH (representing the External Auditor) said it was a privilege to present the audit report and opinion on the Organization's financial statements for the first year of the twenty-fifth financial period, 2008-2009, and to report that the statements represented fairly, in all material aspects, the financial position of IMO as at 31 December 2008. The financial statements were in accordance with the Organization's stated accounting policies. The report before the Council was the outcome of the audit performed by the External Auditor and he wished to place on record his satisfaction with the responses of the Secretariat as detailed in the report.

The Organization had developed a comprehensive plan for the transfer to International Public Sector Accounting Standards (IPSAS). The importance of staff training was emphasized in the plan and he recommended an awareness training module to prepare staff for more intensive training later in 2009. Specific areas should be indicated to cover the involvement of Internal Oversight in the implementation of IPSAS. The External Auditor had offered to train staff identified by WMU and IMLI for the sake of uniformity. IMO had given an assurance that the transition to IPSAS would be achieved with effect from 1 January 2010.

He noted that the Council, at its ninety-sixth session, had identified risk management as an integral part of the Organization's strategic plan. The Council Working Group on Risk Review, Management and Reporting (CWGRM) had been set up to develop a risk management framework (RMF) which would assist IMO to meet its objectives in the assessment, communication and mitigation of risks. The working group had prepared a draft risk management process and terms of reference for the intersessional correspondence group, which had been charged with further developing the risk management process. At its 100th session the Council had considered the recommendations of the CWGRM and made decisions regarding the application of the RMF, following which the Secretariat had planned a full risk management exercise for 2009 and he noted that it was proceeding as planned.

Turning to the IMO Voluntary Member State Audit Scheme, he said that, as of 31 December 2008, 45 Member States had volunteered for an audit, 152 individuals had been nominated by 44 Member States for inclusion in the roster of auditors maintained by the Secretariat; 4 regional training courses had been held in 2008; and 28 audits had been conducted using 57 auditors. The second consolidated audit summary report had been submitted to the Council for consideration at its 101st session. The findings provided valuable lessons on the enforcement and implementation of the ten mandatory IMO instruments covered by the scheme. He had recommended that the Secretariat should continue to strengthen the audit scheme with the aim of securing full compliance from the participating Member States to ensure implementation and enforcement of the applicable IMO instruments.

The new Straits of Malacca and Singapore Trust Fund had been created. There had been no expenditure in 2008 and it had a closing balance of $1,070,464 as of 31 December 2008. Its major sources of income were “donors” and “miscellaneous income”.

The World Maritime University Capital Trust Fund had been closed in 2008. There had been an expenditure of $57,794 in that year. Since funding was needed for the WMU’s twenty-fifth anniversary celebration, the balance of $392,609 had been transferred to assist the university, and the fund had been closed.

An analysis of the status of appropriations under the various Funds had shown that savings ranged from 2.71 per cent in the General Fund to 45.38 per cent in the Technical Co-operation Fund (TC Fund). Savings had been made due to: a reduction of staff costs with vacancy levels maintained and a savings in expenditure on meetings; a reduction of storage costs; postponement or cancellation of programmes and use of external donations as a priority over the TC Fund; the preliminary stage of the implementation of IPSAS, the SAP upgrade and the SAP HR and payroll functions; and postponement of an induction programme for translators.

The collection of contributions in 2008 compared well with the average rate of collection of 97.41 per cent in the previous eight years. Out of the total assessed contributions of £24,394,522 from Member States, excluding arrears due for the year, IMO had received £23,912,202, representing 98.02 per cent of assessments made for 2008. However, that represented a decrease from the 2007 level of 99.33 per cent.

Contributions in arrears for the financial year 2008 amounted to £482,320. Compared with the total of £1,365,776 as of 31 December 2007, total contributions in arrears as of 31 December 2008 had decreased to £1,296,862, representing a decrease of 5.04 per cent. The total arrears represented about 25 per cent of the Reserves and Fund Balances of the General Fund for 2008.

Contributions in arrears from before 1988 in respect of Guinea-Bissau, amounting to £9,385, were included under “Accounts Receivable” in the Statement of Assets, Liabilities and Reserves and Fund balances. In addition, there were arrears in contributions outstanding since 1990 from the former State of Yugoslavia. While appreciating the efforts made by the Secretariat to reduce arrears, he recommended that special efforts be continued to recover the arrears relating to Guinea-Bissau. The Organization would examine the treatment of pre-dissolution arrears from the former Socialist Federal Republic of Yugoslavia as part of the overall review of the Organization’s accounts and accounting policies in the wake of the move to IPSAS in 2010.

The Contribution Incentive Scheme (CIS) provided for distribution of interest earnings on Member States’ contributions received in advance. A total of £1,093,976 had been distributed to 75 Member States and two Associate Members towards interest earnings accumulated under the CIS and a balance of £1,662,009 remained with IMO as of 31 December 2008. IMO had adopted a resolution during its Assembly in November 2007 inviting Member States to consider voluntarily donating to the Technical Co-operation Fund part, and if possible all, of their interest earnings accumulated under the CIS during the period 1998 to 2005. He recommended that the Secretariat should intensify its efforts to obtain responses from Member States so that interest earnings were either distributed to Member States or donated to the Technical Co-operation Fund.

IMO had been paying a Climate Change Levy (CCL) to the host government since its introduction in 2001 and had continued to treat it as refundable on the basis of an assurance given by the United Kingdom Foreign and Commonwealth Office (FCO). The amount of £133,514 had been reported as refundable in the financial statements as of 31 December 2008. There had been no developments regarding an amendment to the United Kingdom legislation to date and the FCO had stated that it continued to work on the issue of exemptions to CCL and would inform IMO of developments in due course. He recommended that the Secretariat should review the issue, taking account of the uncertainty that the CCL was tax-refundable, so as to appropriately reflect a realistic position in the accounts.

In conclusion, he said that the various efforts undertaken by the Secretariat to enhance accountability and transparency had led to a greater level of assurance in the systems of the Organization. He expressed his gratitude for the cooperation and consideration extended by all IMO officials at every level and reaffirmed the commitment of the Comptroller and Auditor General of India in his capacity as External Auditor of the Organization.

The SECRETARY-GENERAL thanked the External Auditor for his comments and said that a full risk management exercise had been carried out earlier in 2009, which had been commented upon at the fourth session of the CWGRM and important recommendations had been considered at the current session of the Council under agenda item 3(b).

During 2009 arrears of contributions of £395,902 for the period 1988 to 2008 had been received, thus reducing the outstanding balance to £891,575. Regarding the arrears for the period prior to 1987, Equatorial Guinea had cleared its arrears in full up to 2007 and had made a partial payment for 2008. The total balance of arrears up to 1987 was currently $13,721, which amount was entirely due from Guinea-Bissau. There had been a good response to the CIS from Member States regarding the distribution of the accumulated interest. A total of £1,670,314 for the period 1998 to 2005 had become available for distribution following the adoption of resolution A.993(25). An additional £33,146 had been distributed in 2009 as requested by Member States. The total distributed to date was £1,127,122. In April 2009 the Director of the Administrative Division had sent a reminder to the 69 Member States which had not responded and a fourth reminder was being prepared. The Technical Co-operation Committee had thanked the 45 Member States which had donated their accumulated interest to the Technical Co-operation Fund under the CIS, and had encouraged others to follow that example. The FCO had now agreed that the amount paid under the Climate Change Levy which exceeded £130,000 was refundable and, together with other international organizations, IMO was in discussions with the FCO to expedite the refund.

Mr. FARIS (United States) thanked the Secretary-General and the Secretariat for the measures taken to make financial information available and transparent and for their effective efforts to try to contain costs. He noted that, due to the prudent management of the Organization's resources, there were balances in the general funds, ranging from about £6 million in the Printing Fund to about £4 million in both the TCF and the HQCF. The Council should bear that in mind when considering 2009 and the proposed budget for 2010 to 2011 under agenda item 8.

The CHAIRMAN invited the Council to note the information set out in documents C 102/5(b) and C 102/5(b)/1 and that provided orally by the Secretary-General and the representative of the External Auditor; to note the Secretary-General's financial report and accounts for 2008; to welcome the unqualified opinion of the External Auditor; to note the excess of income over expenditure for 2008 of £1,841,753 before prior-year savings and transfers; to welcome with appreciation the achievement of a Members' contribution level of 98.02 per cent; to express its appreciation to the External Auditor for his report; to welcome the Secretary-General's stewardship of the Organization's Funds and his report to the Council; to approve the year-end transfers between major programmes in accordance with financial regulation 4.4 of the Organization's Financial Regulations and Financial Rules; to forward the financial statements, schedules, Notes to the Accounts and the External Auditor's report to the twenty-sixth regular session of the Assembly; to note the information provided on the accumulated liability from the operation of the Organization's Contributions Incentive Scheme; and to note the information provided on the anticipated refund of the amount paid to the host government under the Climate Change Levy.

It was so decided.

(c) REPORT ON INVESTMENTS (C 102/5(c))

The SECRETARY-GENERAL recalled that Article IX of the IMO Financial Regulations required him periodically to inform the Council about the investment of monies not needed for immediate requirements. Document C 102/5(c) reported on investments of such monies during 2008. The annex to the document showed the monthly amounts which were available for investment. The interest earned on the General Fund monies in 2008 amounted to £482,606, which was a reduction of 20.4 per cent over the previous year's earnings of £606,543. That was mainly due to the Bank of England's decision to reduce the base rates five times during the year under review, from 5.5 per cent at the beginning of the year to 2 per cent at the year end. He asked the Council to keep in mind the effect that such a considerable reduction had on the Organization's earnings when considering related financial matters, including the budget. The average interest rate for short-term deposits of less than one month had been 2.07 per cent compared with 2.19 per cent in 2007.

The yield from investment of the Printing Fund balance amounted to £189,008, which was lower than the previous year's yield of £289,885. That was also due to the reduction in bank base rates as previously mentioned. Finally, he confirmed that the Organization's investments of monies not immediately needed were made only with major clearing banks and not on a speculative basis.

The CHAIRMAN invited the Council to note the information set out in document C 102/5(c) and that provided orally by the Secretary-General.

It was so decided.

(d) REPORT ON ARREARS OF CONTRIBUTIONS AND OF ADVANCES TO THE WORKING CAPITAL FUND AND ON THE IMPLEMENTATION OF ARTICLE 61 OF THE IMO CONVENTION (C 102/5(d) and Add.1-2)

The SECRETARY-GENERAL said that document C 102/5(d) reported on the situation with respect to the payment of Members States' contributions by the end of March 2009, while the addenda updated the position at monthly intervals thereafter. They also reported on the implementation of Article 61, previously 56, of the IMO Convention.

The collection rate to date to the end of May 2009, as shown in addendum 2 to document C 102/5(d), had shown improvement. The position on 31 May 2009 had been that 76.68 per cent of the 2009 assessment had been received, which was 0.18 per cent higher than on the corresponding date in 2008. The details with respect to individual Member States on the same date were provided in annex 1. He particularly welcomed the efforts made by Council Members to pay their contributions. Since the issue of addendum 2, Angola, Bangladesh, Benin, China, the Gambia, Guyana, Malta, the Seychelles, Yemen and the United States had fully settled for 2009.

Iraq, Kenya and the Marshall Islands had partially paid for 2009, and therefore the collection rate stood at 84.85 per cent.

With regard to the implementation of Article 61 of the IMO Convention, the Council at its ninety-third session, having noted the report on the application of Rule 56*bis* in the context of the Council's Review of the Organization's Financial Framework in accordance with resolution A.942(23), had reiterated the position that Rule 56*bis* should be retained in its present form. Furthermore it had been recalled that, under Article 61, subject to the granting of a waiver, a Member with dues outstanding for more than one year loses the right to vote in subsequent sessions, not only of the Assembly and the Council but also in the Maritime Safety Committee, the Legal Committee, the Marine Environment Protection Committee, the Technical Co-operation Committee and the Facilitation Committee. Since that situation could arise between sessions of the Assembly, the Council had decided that the terms of Article 61 should be strictly enforced between Assembly years. The adoption by the previous Assembly of resolution A.994(25) had reaffirmed that Council commitment. Earlier in 2009, the Director of the Administrative Division had written to those Member States which fell within Rule 56*bis*, informing them of their status and the loss of their right to vote, pending payment of any outstanding contributions. The Secretary-General's assessment was that the Council's firm stance on that matter was showing positive returns. A status report up to the end of May was provided in annex 1 of addendum 2 to document C 102/5(d), showing those Member States that still fell within the provision of Article 61.

Of the 20 Member States (excluding the former Socialist Federal Republic of Yugoslavia) which had not been granted a waiver during the twenty-fifth regular session of the Assembly, payments had been received from Côte d'Ivoire, Iraq, Madagascar, Namibia and Nicaragua, which had cleared their arrears in full up to 2008, and from Benin and the Gambia, which had paid in full since the issue of document C 102/5(d)/Add.2. Consequently, those Member States no longer fell under the provision of Article 61. Cape Verde, Equatorial Guinea and Paraguay had cleared their arrears in full up to 2007 and had made a partial payment for 2008, and Malawi had cleared its arrears in full for 2006 and 2007. However, those Member States had again fallen under the provision of Article 61 as the assessment for 2008 remained outstanding. The Solomon Islands had cleared its arrears in full for 2004 and partially paid for 2005 and Togo had cleared its arrears in full from 1997 to 2004 and partially paid for 2005. Those Member States remained under the provision of Article 61 as the assessment from 2005 to 2008 remained outstanding. Zimbabwe had cleared its arrears in full for 2005 and 2006. However, it had again fallen under the provision of Article 61 as the assessment for 2007 and 2008 remained outstanding. No further payment had been received from the remaining Member States including the Solomon Islands and Togo.

Of the 33 Member States which had fallen under the provision of Article 61 since the twenty-fifth regular session of the Assembly, by 1 January 2009, 19 Members, namely Benin, Brunei Darussalam, Comoros, Ecuador, El Salvador, Eritrea, Fiji, Gabon, the Gambia, Iran (Islamic Republic of), Lebanon, Liberia, Madagascar, Namibia, Peru, the Seychelles, Sierra Leone, Sudan and Timor-Leste, had cleared their arrears in full for 2008. Consequently, they no longer fell under the provision of Article 61. Cambodia had cleared its arrears for 2007 and made a partial payment for 2008 and Cameroon had made a partial payment for 2008. However, those Member States remained under the provision of Article 61 as the assessment for 2008 remained outstanding. No additional payments had been received from the remaining 12 Members.

At its twenty-second extraordinary session in November 2003, the Council had received an update on the position taken by the United Nations concerning the pre-dissolution arrears due from the former Federal Socialist Republic of Yugoslavia (FSRY). The Secretariat had received a further update from the United Nations Secretariat in April 2009. The United Nations General Assembly had adopted resolution 63/249 on 24 December 2008 incorporating the decision to apportion among the successor States of the former FSRY the pre-dissolution arrears, taking into account the respective dates on which each successor State had informed the United Nations Secretary General that it had ceased to exist as part of the former FSRY, and the proportions set forth in article 5(2) of annex C to the Agreement on Succession Issues of 29 June 2001. To date, none of the successor States had provided the United Nations Secretary General with their respective shares of the outstanding amounts. He would keep the Council updated on any progress on that matter.

Finally, he recalled that by means of resolution A.837(24) adopted on 23 November 1995, the Assembly had increased the Organization's Working Capital Fund (WCF) to a level of £2 million through transfers from surpluses in the Printing Fund. Since then, the WCF had been increased by the amounts which new Members were required to pay in accordance with the scale of contributions applicable to the budget of the year of their accession. The WCF balance on 31 May 2009 amounted to £2,005,996. The advances to the WCF from Members which had joined the Organization since 1 January 1988 totalled £142,074, of which £29 remained unpaid.

He drew attention to paragraph 12 in document C 102/5(d)/Add.1 reminding Council Members that the tonnage figures used in the calculation of assessments were based on information provided by Lloyds Register-Fairplay (LR-F) on the reference date of 30 June in the preceding year. As LR-F relied on data provided by Member States to compile its global fleet statistics, Members should regularly validate their fleets against the LR-F database to ensure that the figures used were the most up to date.

In conclusion, he acknowledged the efforts of Members to settle their arrears from previous years and thanked those Council Members which had paid their contributions in full in accordance with the Organization's Financial Regulations and Financial Rules, thus setting a commendable standard for others to follow.

He interpreted the good record in the Members' payment of their assessment, especially in the middle of a worldwide financial crisis, as a demonstration of their satisfaction with the work of the Organization and the prudent use made of their financial contribution to the IMO budget.

Mr. BRUCE (Marshall Islands, observer) said that his country had been considerably affected in the previous two years by the supply to IMO of incorrect information on its fleet by Lloyds Register-Fairplay, and had held discussions with both organizations in that regard. As advised in paragraph 12 of document 15(d)/Add.1, the Marshall Islands regularly validated its fleet figures against the Lloyds Register-Fairplay database. However, it was not aware of the actual figures supplied by Lloyds Register-Fairplay to IMO, which were those as of 30 June each year, until it received its notice of assessment from IMO in December, by which time it was too complicated to query the figures used. He therefore proposed that the Council should instruct IMO to request Lloyds Register-Fairplay to advise Member States of the figures it would supply to IMO as soon as possible after 30 June and in advance of transmission of that information, to ensure validation at that time. It would then be incumbent on Member States to provide details of a designated contact for such a procedure and to ensure that a response was sent within 2 to4 weeks.

Mr. LIM (Republic of Korea) endorsed the view expressed by the previous speaker. He was also pleased to report that the Republic of Korea had remitted its assessed contribution to IMO on 29 June 2009. The Secretary-General was to be commended for his strenuous efforts to safeguard the financial status of the Organization.

Mr. VASSALLO (Malta) supported the proposal made by the representative of the Marshall Islands. While he would prefer the contact regarding the information to be used for the assessment to come from IMO, it might be more practical to deal directly with Lloyds Register-Fairplay. However, in his experience there was often disagreement between Lloyds Register-Fairplay and Member States.

Mr. ALI (Kenya) also expressed support for the proposal. It was his understanding that Kenya had paid its assessed contribution to IMO in full. He would take steps to ensure payment of the outstanding balance on his return home.

Ms FERNÁNDEZ (Panama) joined in supporting the proposal. Referring to the outstanding balance of assessed contribution for Panama shown in the document, she pointed out that Panama made payments to IMO in accordance with a timetable agreed at the start of the year.

Mr. OLIMBO (Italy) supported the proposal made by the representative of the Marshall Islands. Financial contributions were a sensitive matter and Member States should have the opportunity to validate the figures used in making the assessments.

Mr. KANAFANI (Syrian Arab Republic, observer) also supported the proposal. Syria had encountered problems similar to those experienced by the Marshall Islands but, despite letters to IMO and Lloyds Register-Fairplay requesting clarification, the disagreement relating to the figures used had not been resolved.

Mr. ELAHI (Bangladesh) agreed that a procedure should be established for resolving any discrepancies in the figures.

Mr. ANASTASAKOS (Greece) said that while he sympathized with the representative of the Marshall Islands and the supporters of his proposal, the suggested procedure was complicated and would require a well-defined, structured approach.

Mr. MOHAMMED (Nigeria) said that, in considering the proposal, it would be important to define a mechanism for resolving differences when parties did not agree on the tonnage figures and to establish a clear time frame for the procedure.

Mr. ARKU (Liberia) supported the proposal before the Council.

The SECRETARY-GENERAL said that, as indicated in document C 102/5(d)/Add.1, paragraph 12 of which had been prompted by enquiries from the Marshall Islands, he had concluded that since Lloyds Register-Fairplay relied on data supplied by Member States, Member States should validate regularly the figures held in the Lloyds Register-Fairplay database. He would contact Lloyds Register-Fairplay to discuss the matter further but was not too optimistic about the outcome.

He welcomed the information provided by the Republic of Korea regarding payment of its assessed contribution. He also confirmed that Panama, which contributed some 20 per cent of the regular budget, was paying in accordance with an agreed schedule; Panama's regular payments were greatly appreciated.

The CHAIRMAN observed that, although Lloyds Register-Fairplay used data supplied by Member States, there appeared to be disagreements regarding the figures held in its database. He took it that the Council wished the Secretary-General to approach Lloyds Register-Fairplay regarding the matter and to report further to the Council in due course. However, he stressed that it was for Member States to ensure that they validated carefully the tonnage figures held by Lloyds Register-Fairplay.

Mr. BRUCE (Marshall Islands, observer) said that the main point of his proposal was for Member States to have the opportunity of checking, as soon as possible after 30 June, the figures to be provided by Lloyds Register-Fairplay to IMO for use in the assessment.

Mr. VASSALLO (Malta) said that it was his understanding that Lloyds Register-Fairplay collected information from other sources and did not rely solely on the tonnage figures provided by Member States. While recognizing the efforts made by Lloyds Register-Fairplay, he endorsed the view that Member States should have access to the figures to be transmitted to IMO.

The CHAIRMAN invited the Council to note the information set out in document C 102/5(d) and its addenda and that provided orally by the Secretary-General; and, in particular, to note the improvement in the collection rate of Members' contributions compared with the same period in 2008 and the continuing arrears of the Member States identified in the documents under review; to note the reported developments in advances to the Working Capital Fund; to note, in the context of the calculation of the annual assessment, the importance of ensuring that fleet statistics were up to date on the 30 June reference date; to urge Member States with outstanding contributions to remit them as soon as possible; and to reiterate its firm stance on the strict enforcement of Article 61 of the IMO Convention.

It was so decided.

(e) BUDGET CONSIDERATIONS FOR 2009 (C 102/5(e))

The SECRETARY-GENERAL said that at the previous session of the Council in November 2008 he had presented, in accordance with resolution A.991(25), a preliminary overview of budget prospects for 2009 based on expenditure trends assessed as of 30 September 2008. He could now report on the actual expenditure incurred in the first quarter of 2009, as presented in document C 102/5(e) and, where appropriate, provide updated information reflecting the current position.

Table 1 and chart 1 in document C 102/5(e) showed the prevailing external pay and price factors in the United Kingdom economy. Following the global financial and economic crises in late 2008, the United Kingdom Retail Price Index (RPI) had shown a steep decline from a peak of 5 per cent in September 2008 to -0.4 per cent in March 2009. The index had fallen further, to -1.2 per cent in April, but it had recovered a little to -1.1 per cent in May. Meanwhile, the Average Earnings Index (AEI) had risen by 2.9 per cent in the year to February 2009, but had fallen back to 2.6 per cent in April. The movements in the RPI and AEI were beyond budgetary assumptions. The significant drop in the value of the pound sterling against the United States dollar had also had an unfavourable impact.

As reported in paragraphs 5 and 6 of document C 102/5(e), a cost-of-living adjustment for staff in the Professional and higher categories promulgated by the International Civil Service Commission had taken effect from March 2009. That unbudgeted 14.9 per cent pay increase represented an additional regular budget cost of £1.2 million over the period April-December 2009. For the General Service staff, an interim salary adjustment increase of 1.4 per cent from October 2009 had been expected on the basis of the movements in pay and price factors in the United Kingdom economy in the first quarter of the year. However, because of the downward movements of the RPI and AEI in the second quarter, and assuming no improvement, the General Service salary adjustment would be no more than 1 per cent.

The impact of the pay and price changes, in particular the cost-of-living adjustment for Professional staff and the strengthening of the United States dollar against the pound sterling, had initially been expected to result in an overrun of approximately £1 million in the 2009 budget, as indicated in tables 2 and 3 of the document, which showed the actual and forecast status of expenditure by programme and object of expenditure.

In order to generate savings to offset the unbudgeted cost-of-living adjustment, he had decided to freeze recruitment to vacant posts with effect from April 2009 and, for the time being, to engage the minimum number of temporary employees needed to assist in the delivery of planned IMO programmes. The net saving was expected to be around £0.6 million. Of the forecast £1 million overrun, broadly half was due to cost increases in utilities, document printing and communications, the costs of which were difficult to control. An estimate of the budget prospects at the end of June, following recent strengthening of the pound sterling against the United States dollar, had indicated that the total overrun might be less than originally anticipated, at around £0.8 million.

With some economy measures, small savings were expected in official mission travel and meetings; invitations were generally accepted on the basis that the host would bear the costs of IMO staff attending. Table 4 set out the revised meetings programme approved by C 101. It included one additional week for COMSAR 13 using the unspent funds from the FAL Committee session planned in 2008, which had not taken place. It also included the Diplomatic Conference for the Safe and Environmentally Sound Recycling of Ships, which had been held successfully in May 2009. Thanks were due to the Government of Hong Kong, China, which had hosted the Conference and had borne the costs incurred by the IMO staff designated to service it. There might be some unforeseen costs in relation to meetings where it was important for IMO to be properly represented, for example relating to piracy or climate change, and for which IMO staff travel had to be met by the Organization.

The Council was requested to endorse his decision to transfer the unspent 2008 budget balance of £725,592, which had been realized through economies, to the 2009 budget in accordance with the Organization's Financial Regulations. The transfer would cover around 70 per cent of the 2009 budget shortfall indicated in table 5, or some 90 per cent of the revised shortfall. He would also continue strenuous efforts to achieve further efficiency savings to offset the remaining overrun of around £100,000. Should additional funds be required, for example because of further adverse currency fluctuations, he might feel obliged to seek the Council's approval, at its twenty-fifth extraordinary session, for a supplementary budget, possibly to be financed from the Organization's accumulated reserves, in order to avoid any change in the 2009 assessment level set for Member States.

Following the transfer of the 2008 unspent budget transfer to 2009, transfers between major programmes would become inevitable, as shown in table 5. He therefore requested the Council's authorization, in accordance with the Organization's Financial Regulations, to make timely transfers between major programmes as necessary, provided that balances were available.

Assuming receipt of 98 per cent of the assessment contribution and the projected overrun in the appropriation, the net income over expenditure in the General Fund was expected to result in an in-year cash deficit of approximately £1.5 million at the end of 2009. However, as indicated in table 6, taking into account the accumulated reserves and estimated arrears, a year-end cash surplus of approximately £2.7 million was anticipated. With the updated forecast overrun of £0.8 million, the surplus would increase slightly to £2.9 million. Any additional assessment receipt would further improve the year-end position.

As indicated in table 7, the Printing Fund was expected to achieve an annual surplus of some £4.38 million, resulting from prospective income of £8.78 million and estimated expenditure of £4.4 million. The forecast expenditure exceeded the budget by £156,100 because it included the unplanned costs of some £300,000 for replacing the current Customer Relations Management module in SAP. It was hoped to secure the additional funds through efficiency savings and the staggering of recruitment to vacant posts. However, if an overrun was unavoidable, the Council would be requested, at its twenty-fifth extraordinary session, to endorse the transfer of the uncommitted 2008 budget balance of £159,300 to the 2009 budget. That underspend, which was part of the annual surplus, would therefore be withheld from distribution to other funds for the time being.

For the Headquarters Capital Fund, the forecast expenditure of £2.7 million was around £1.14 million above the budget approved for 2009, as indicated in table 9. It included the liability to the United Kingdom Government of £0.5 million relating to the refurbishment of the IMO headquarters building, which was being repaid as indicated in footnote 7 to document C 102/5(e). At its previous session, the Council had approved the transfer to 2009 of any uncommitted 2008 budget balance, which currently amounted to £1,004,700. Even with that transfer, however, there would remain an expected shortfall of £134,500, which would be covered, where possible, through further cutbacks under other expenditure headings. If that was insufficient he would seek the Council's agreement at its twenty-fifth extraordinary session that any shortfall should be covered from the accumulated reserves of the Fund, which was currently projected to stand at £2.5 million at the end of the year.

In respect of the Termination Benefit Fund (table 10), the 2009 expenditure was expected to remain within the budget, notwithstanding the increasing costs of after-service health insurance. Information on the funding of long-term liabilities in compliance with IPSAS would be provided under agenda item 8.

Programmes under the Training and Development Fund, which were described in paragraph 21 of the document, were on course to be maintained within the approved budget for 2009 (table 11).

In respect of the Technical Co-operation Fund, expenditure for delivery in 2009 was forecast at £2.95 million, as indicated in table 12, which represented an increase of 10 per cent over the out-turn in 2008. The year-end fund balance was projected to increase by 34 per cent to some £6.5 million compared with 2008.

Finally, the financial delivery of the extra-budgetary donor/trust funds programmes in 2009 was forecast to increase to some $8.3 million, as shown in table 13, owing to an increase in activities associated with environmental programmes such as the SAFEMED 2 project and the work of the Ballast Water Management Working Group.

In conclusion, he noted that the review of the overall 2009 budget status indicated some unavoidable expenditure increases in the regular budget, the Printing Fund and the Headquarters Capital Fund. However, he and his senior colleagues would make every effort to contain the overall expenditure, if not within the 2009 appropriation, at least within the current 2008-2009 biennial budget, through stringent economy measures in relation to controllable expenditure items wherever possible. A further update would be provided to the Council at its extraordinary session in November 2009.

Mr. POLDERMAN (Netherlands), after welcoming the transparent and thorough treatment of the budget considerations for 2009 in the document under review, observed that, while it reflected the Secretariat's good stewardship of the Organization's budgets, the document hardly painted a rosy picture. The Council would have to accept that external factors beyond its control, such as inflation rates and United Nations system salary adjustments, had intervened, and thank the Secretary-General and his senior colleagues for their further efforts to maximize economy and delivery within the constraints of the current biennial budget. Drawing attention to paragraph 8 of the same document, he said that the need for drastic measures such as the freezing of vacant posts was fully understandable, but expressed concern at the subsequent additional burden that staff would have to take on. However, he remained confident that the Secretary-General and his senior staff had taken appropriate measures to minimize that burden.

Mr. FARIS (United States) said that the Secretariat was doing a marvellous job of coping with circumstances beyond its control. The United States had no objections to the Secretary-General's proposals to make use of the 2008 surplus or to carry out transfers between Funds in order to make ends meet within the regular budget. He described two differing general scenarios affecting the Organization's overall finances. The first was one in which the regular budget was stretched thin, forcing the Secretariat to take very difficult decisions in order to ensure delivery. The second, however, was not so dire: he drew attention to paragraph 18 of the document under review, which showed that the projected amount available for distribution to other Funds at the end of 2009 was approximately 35 per cent higher than had been forecast at the time of the twenty-fifth Assembly in December 2007. Also, the projected year-end balance of the Technical Co-operation Fund for 2009 was approximately three times greater than previously predicted at the twenty-fifth Assembly. Moreover, expenditure levels in the TCF had been lower than expected. Thus, when the time came later in the session to consider the budget for 2010-2011, the Council should bear in mind that there were both upward and downward expenditure trends to take into account.

Mr. VASSALLO (Malta) commended the Secretariat for its hard work in addressing budgetary matters. He said that careful consideration would have to be given to whether the suppression of posts and economizing on meetings would still allow the Secretariat to deliver the programme with which it had been entrusted. Turning to the Printing Fund, he observed that it evoked mixed feelings, since without it important IMO publications could be distributed free on the internet, whereas its existence assured a greater income for technical cooperation activities. On the other hand, it would be even better if all the money from the Printing Fund could be available for technical cooperation as originally agreed, since that was what gave the Organization's work truly meaningful effect. Finally, he observed that one of the lessons learned during the recent refurbishment period was how important it was to hold IMO meetings in other countries from time to time, in order to take the opportunity to fully demonstrate the Organization's universality.

The SECRETARY-GENERAL said he appreciated very much the concern expressed by the representative of the Netherlands about the burden on the Organization's staff, but appreciated in equal measure the staff's readiness to accept the additional burden that would accrue as colleagues retired or left for other reasons. His main concern in that regard related to the health of the translators who worked on night shifts, a subject to which he would return later in the session. Regarding the two sides of the coin mentioned by the representative of the United States, he noted that the use to be made of the additional monies available in the TCF would be discussed under agenda item 7, and that discussion, together with the one on the budget under agenda item 8, might shed light on the way forward. With regard to the comments of the representative of Malta, he was confident of delivery being achieved for 2009, while that for the following biennium was dependent on the discussion that would take place under agenda item 8. Also in that connection, he noted that the areas of unforeseen expenditure over and above the current budget were: travel by

Secretariat staff in connection with meetings on piracy and armed robbery off the coast of Somalia; the LRIT system; IPSAS implementation; and the need to make more visible the Organization's efforts in connection with climate change issues. Finally, only two conferences abroad had been accepted since the Secretariat's return to headquarters following the refurbishment: the one already held in Hong Kong in May 2009 for the ship recycling conference, and that due to be held in Manila, the Philippines, in June 2010 in connection with the review of the STCW Convention. No other invitations had been extended for the time being.

The CHAIRMAN invited the Council to note the information set out in document C 102/5(e) and that provided orally by the Secretary-General. In particular, he invited the Council to note the forecast expenditure in the regular budget for 2009, including forecast overruns in the approved appropriation for 2009; to endorse the Secretary-General's decision to transfer to 2009 the unspent balance of £725,592 in the regular budget for 2008, in accordance with the Organization's Financial Regulations, so as to partly address the projected shortfall in the 2009 budget; to note that, in order to offset the remaining overrun not covered by the above transfer, the Secretary-General might propose, in accordance with the Financial Regulations, to the twenty-fifth extraordinary session of the Council, a supplementary budget financed from the Organization's accumulated reserves; to authorize the Secretary-General to make, as and when necessary, timely transfers between major programmes to the extent that balances were available to cover or reduce deficits in programme appropriation balances, in accordance with the Organization's Financial Regulations; to note the forecast year-end cash surplus of the General Fund; to note the forecast revenue and prospective overspend in the Printing Fund due to the costs for improving the publication sales environment, for which the Secretary-General might seek the Council's endorsement, at its twenty-fifth extraordinary session, of the transfer of the unused 2008 budget balance to 2009; to approve the temporary withholding of the distribution of the balance of the 2008 expenditure budget under the Printing Fund in order that any shortfall in the 2009 Printing Fund budget could be offset by the transfer of the 2008 budgetary surplus, in accordance with the Organization's Financial Regulations; to note the forecast financial status of the Headquarters Capital Fund which, notwithstanding the transfer of the uncommitted 2008 budget balance approved by the Council at its 101st session, might still overrun, and note also that the Secretary-General might propose, in accordance with the Organization's Financial Regulations, to the twenty-fifth extraordinary session of the Council, the financing of any shortfall from the accumulated reserves of the Fund, if further cutbacks and saving were not possible; and to note the forecast financial status of the Termination Benefit Fund, the Training and Development Fund, the Technical Co-operation Fund and extra-budgetary programmes.

It was so decided.

AGENDA ITEM 6 – VOLUNTARY IMO MEMBER STATE AUDIT SCHEME (C 102/6, C 102/6/1, C 102/6/2, C 102/6/3)

The CHAIRMAN proposed that the Council should deal with the agenda item in two parts: first, document C 102/6, and then documents C 102/6/1, C 102/6/2 and C 102/6/3 together.

The SECRETARY-GENERAL, introducing document C 102/6, said that it reported on the progress made to date in the implementation of the Voluntary IMO Member State Audit Scheme. In particular, it reported on the status of Member States that had volunteered to be audited, the nomination and training of auditors, the conduct of audits, and the distribution of audit reports.

With respect to the invitation to Member States to volunteer for audit and in response to Circular letter No.2687, to date 49 Member States and one Associate Member had formally indicated their readiness to be audited since the scheme's launch in December 2005.

That represented about 30 per cent of the membership of the Organization. Of those volunteering for audit and since the actual commencement of the scheme in September 2006, a total of 31 Member States and one dependent territory had been audited. Since 2006, when the number of Member States volunteering to be audited had peaked, a decreasing trend had been observed in the number of States volunteering to be audited, which, if it were to continue, could place at risk the viability of the scheme. In that connection he suggested that the Council might again wish to encourage Member States which had not yet volunteered for audits to do so as and when they were ready, and as early as possible.

To date, 161 individuals had been nominated for inclusion in the roster of auditors in response to Circular letter No.2686. Those nominated came from 48 Member States and one Associate Member, from all geographical regions of the world. While there was still a reasonably large pool of individuals on the roster, 11 per cent of those nominated had become inactive. There was thus still the need to expand the available pool. In that regard, the Council might also wish to urge Member States to nominate qualified individuals for inclusion in the roster of auditors and for those nominated to participate in the regional training courses the Organization convenes around the world.

The training of auditors in the Framework and Procedures of the scheme was a continual process and three regional training courses for auditors, funded through the Integrated Technical Co-operation Programme, had been conducted in 2009, namely those in Bou-Ismail, Algeria, in February, attended by 13 participants from countries of the West Africa and Arab/Mediterranean region (Francophone); in Monrovia, Liberia, the previous week, attended by 8 participants from countries of the West and Central Africa region (Anglophone); and in Roseau, Dominica, only the previous week, attended by 14 participants from countries in the north America/Caribbean region. One further course was planned for October 2009 to take place in South Africa, for participants from countries in the south and east African region.

The Secretariat had calculated the average cost of the 31 audits conducted to date to be approximately £11,000.

The reports listed in the Procedures for the scheme were distributed to all Member States. So far, 23 audit summary reports had been circulated to all Member States and the third consolidated audit summary report would be issued later in 2009 as a document for the twenty-sixth regular session of the Assembly.

To assist Member States in preparing for audit or in meeting the cost of audit, as well as facilitate participation by observer auditors, the Organization's current ITCP contained an *ad hoc* global programme. Since the commencement of audits, assistance had been provided to defray costs for one out of three auditors involved in an audit; five observer auditors had participated in audits under that programme. Since the issue of the document under review, the Secretariat had received three requests for expert services to assist Member States in matters relating to the scheme.

As suggested in paragraph 10 of the document under consideration, qualifying Member States should avail themselves of the various opportunities provided through the ITCP to participate in the audit scheme and the Council had been invited to encourage them to do so.

Mr. ISHIZUKA (Japan) said that Japan considered the audit scheme to be crucial in maintaining maritime safety and marine environmental protection. His country had hosted an auditor training course in Yokohama the previous March, attended by 19 trainees from its region.

The report had been submitted to the previous week's session of the Technical Co-operation Committee. Japan would continue to contribute actively to the scheme.

Mr. ANASTASAKOS (Greece) said that, in common with other Member States, Greece had always encouraged States to volunteer for audit under the scheme as soon as they were ready, and to nominate suitably qualified persons for inclusion in the roster. Finally, he noted that very recently the IMO scheme had been incorporated into binding European Union legislation, thereby gaining added value that would help its future development.

Mr. AZUH (Nigeria) informed the Council that, from 12 to 19 September 2009, Nigeria together with IMO would host training on a "mock" administration audit as preparation for undergoing the real thing. Nigeria was thus seeking to take full advantage of the available IMO technical cooperation and would encourage other Member States to do likewise.

Mr. BELL (Bahamas), referring to the Secretary-General's statement that 30 per cent of the IMO membership had already volunteered for the scheme, asked what percentage of the world's fleet that figure represented.

Mr. TUO (Kenya) said that his country had fulfilled most of the requirements and was ready to be audited in the very near future. His government was ready to bear part of the cost of Kenya's audit.

Mr. BRADY (Jamaica) said his country had lately submitted itself for audit and was looking forward greatly to the experience, although it was currently having to consider some unforeseen financial implications. Also, having had two of its officials trained, Jamaica was pleased to be able to forward their names for inclusion in the roster.

The SECRETARY-GENERAL, replying to the representative of the Bahamas, said that, not counting India which had only recently volunteered for audit, the relevant figure was 85 per cent of the world's fleet.

The meeting rose at 5.35 p.m.