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SUMMARY RECORD OF THE FIFTH MEETING

**held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR
on Wednesday, 1 July 2009 at 9.30 a.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.

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AGENDA ITEM 8 – RESULTS-BASED BUDGET FOR THE TWENTY-SIXTH FINANCIAL PERIOD 2010-2011 (C 102/8 and Add.1, and C 102/8/1) (continued)

The SECRETARY-GENERAL, replying to the representative of the Bahamas, whose proposals he welcomed, said that the cost of an individual intersessional meeting was difficult to assess as the resources used chiefly comprised staff time and varied according to the size and scope of the meeting. In preparing the budget for 2010-2011, each Secretariat division provided estimates of work-months spent on meetings against the 13 strategic results. That information had been translated into costs of the various committees and other meetings. The full costs of £1.861 million for “Other meetings” (those over and above the proposed 41.4 meeting-weeks for the forthcoming biennium) could be found in table 10 in document C 102/8 (p. 21). The data used to calculate that figure indicated that the estimated cost of the anticipated number of 35 intersessional meetings for the biennium was some £1.1 million – an average cost of £31,000 per meeting. That figure included not only the costs of the technical, linguistic (word-processing and translations) and logistical staff, but also of other personnel (temporary staff) and general operating expenses (utilities). Cancelling an intersessional meeting would result in only a small saving related to the variable costs involved, which accounted for approximately 15 per cent of the average total cost of £31,000, giving a saving of £5,000.

With regard to the proposed capping of the number of meeting-weeks in each year, the effect was not significant in the short term because that would affect only the variable costs and not reduce the costs of incumbent staff, as those were fixed, unless there were vacancies. The fixed costs accounted for 85 per cent of total meeting costs, as indicated in table 11 in document C 102/8 (p. 22). If the proposed capping related mainly to intersessional and other similar meetings (i.e. not meetings of the various committees and subcommittees), the savings in the variable costs were further limited because, as the Bahamas acknowledged, translation and interpretation services, which accounted for the majority of the variable costs, were not provided for those meetings. Paragraph 9.11 of document C 102/8 made the same point. If a cap were to be introduced, the effect on the budget could be positive in the longer term if measures were taken to reduce the fixed costs base.

With respect to the proposal to change the reporting procedure at the end of each meeting, the *Ad Hoc* Council Working Group on the Organization’s Strategic Plan had, at its ninth session, already considered that suggestion; its conclusion, which indicated both the advantages and disadvantages of preparing meeting reports after the close of sessions, was given in annex 2 of document C 102/3(a).

The immediate effect of the change would be an estimated direct reduction of some £200,000 in total for the biennium in staff overtime, late taxi services, translation, heating and lighting and miscellaneous costs. That estimate did not take into account additional efficiencies that might be gained from revised working practices and the possible reduction in the number of intersessional and other meetings made possible by the extension of meeting time available for discussion.

Mrs. SKARD (Norway) thanked the Secretariat for its comprehensive document. She suggested that ways should be sought to avoid the negative effects of exchange rate fluctuations on the Organization’s level of activity. In her delegation’s view, the importance of cost-reduction measures was secondary to that of maintaining the Organization’s efficient and effective functioning. International shipping was facing serious challenges, such as piracy and greenhouse gases, in which IMO should be playing a leading role. It was therefore essential that IMO have the necessary resources and flexibility to enable it to establish global regulatory regimes.

She was confident that the Secretary-General would do his utmost to avoid unnecessary costs and manage the Organization efficiently, and she therefore supported his budget proposals.

Mr. ANASTASAKOS (Greece) expressed his appreciation of the Secretary-General's comprehensive report. Greece, in common with other Member States, faced budgetary constraints resulting from the global economic and financial crisis. As a significant contributor to IMO's budget, his country had carefully considered all aspects of the budget for the forthcoming biennium to ensure that the planned allocation of resources was in line with the Organization's strategic directions. Bearing in mind that the proposed budget increase, excluding the expenditure increase of 14.9 per cent resulting from unavoidable pay and price increases, was less than the proposed increase that had been approved by the Assembly at its twenty-fifth session in November 2007, Greece was prepared to endorse the Organization's results-based budget for the 2010-2011 biennium and approved in principle the proposed regular budget appropriation. However, he was willing to consider proposals put forward by other Member States.

Mr. POLDERMAN (Netherlands) congratulated the Secretary-General and his staff on their excellent work in preparing the first ever results-based budget proposals. Results-based budgeting was the cornerstone of results-based management, a concept that the Organization had embraced since its adoption of the first Strategic Plan and High-level Action Plan in 2005.

He sought clarification, however, on some aspects of the budget proposals. As stated in paragraph 6.2 of document C 102/8, the High-level Action Plan for the 2010-2011 biennium had not yet been adopted, and it therefore seemed to him illogical that the Council was being asked to consider the financial implications of that plan before it had considered or decided on the Organization's strategic objectives for the coming biennium. Furthermore, what was the financial impact of implementing the identified options for a long-term strategy for the reduction of costs of international meetings, which the Council had discussed under agenda item 3? Paragraph 9, in particular subparagraph 9.11, referred to such cost reductions, but it was not clear whether the proposals took account of the identified options. Why had actions which the Netherlands considered to be important either been put on hold (additional funding for staff training and development and the establishment of an ombudsman post (C 102/4, annex)) or approached very reservedly (for instance, IT infrastructure and information systems (C 102/4) and fundraising activities for technical cooperation (TC 59/6/1)), while the Council had not even decided on priorities and on the corresponding necessary budget? Was he right in inferring from the document that, contrary to the impression he had gained when the principle of a trading fund had first been discussed, such a fund would lead to an increase in the total assessment? What effect would the non-establishment of a trading fund have on the assessment figures?

While he acknowledged that the budgetary and assessment increases were chiefly due to factors beyond the Organization's control, the Council would only be able to decide whether or not it should accept those increases once it had considered and approved the Strategic Plan and High-level Action Plan for the 2010-2011 biennium.

Referring to the proposals to limit workload submitted by the Bahamas in document C 102/8/1, he said that he fully endorsed that delegation's view that, if the budget was to be reduced substantially, the work to be carried out must be reduced, and agreed to the means it had proposed, which were listed in paragraph 2 of document C 102/8/1, to achieve that end. However, a decision regarding the Bahamas' proposal of placing a cap on the number of meeting-weeks in a year could only be reached once that proposal could be weighed against its possible impact on the delivery of IMO's planned outputs. He also agreed with the Bahamas that changing the reporting procedure at the end of meetings might well contribute to a more efficient use of meeting time.

Mr. RIBEIRO (Brazil) expressed his appreciation to the Secretary-General and the Secretariat for the comprehensive 2010-2011 biennium budget proposals. Brazil supported in general the actions requested of Council in paragraph 19 of the document under review. However, it was important to consider suggestions aimed at reducing the Organization's costs, and he endorsed the Bahamas' proposal of placing a limit on the work carried out in a year by capping the number of meeting-weeks, including both regular and intersessional meetings.

Mr. CHRYSOSTOMOU (Cyprus) said that careful consideration needed to be given to the proposal for the 2010-2011 budget to increase the net assessment by £11 million, which represented a 22 per cent increase over the current biennium. It was clear, however, that the sharp fall in the value of sterling and the Professional staff salary adjustments, which represented 9.6 per cent of the proposed 22 per cent increase, had made that increase unavoidable, and that IMO needed sufficient resources to enable it to satisfy the increasing demands made of it by Member States. For those reasons, Cyprus had decided to support the budget proposals and to trust the Secretary-General to achieve as many savings as possible. Without adequate financial support, IMO's ability to meet Member States' requirements and to act promptly and effectively would be reduced, with the result that the shipping industry would find itself regulated by other United Nations agencies that were unaware of IMO's contribution to the maritime sector in terms of safety, security, environmental protection, reduction of piracy and armed robbery and more efficient maritime transport.

Mr. LOZINSKIY (Russian Federation) congratulated the Secretary-General for the proposed results-based budget contained in document C 102/8. It was clear that the budget took into account the recommendations that had been made by the Joint Inspection Unit (JIU), as well as the experience of other international organizations. However, the formulation of some objectives and results still required some adjustment. The budget included the necessary first steps relating to the implementation of the International Public Sector Accounting Standards, although it was difficult to predict how that system would operate, and when the benefits would accrue.

In the global economic crisis, the Organization was facing a complex challenge in seeking to minimize losses, especially given the uncertain currency situation in the United Kingdom. However, the proposed 22 per cent increase in Member assessments would not be approved by all States, and he welcomed the adjustments contained in document C 102/8/Add.1. He hoped a revised version of the budget would be available before the next Assembly, taking into account changes in inflation and exchange rates. Even so, the Organization was going to have to prioritize its work and cut back or postpone some issues.

He supported the proposals submitted by the representative of the Bahamas to cap the number of meeting-weeks and change reporting methods, contained in document C 102/8/1, but said further clarification of, and adjustment to, those proposals would be required. He encouraged the Secretariat to determine how many staff members would be leaving or retiring during the biennium under consideration, in order to include further savings in the budget. In the past, the number of posts had been excessive, and it was an ideal time for the Organization to reconsider staffing levels.

An important part of the Organization's work concerned the development of standards, regulations, guidelines and other documents. Such documents had to be accessible to end users, and as such timely and good-quality translations must be available in Russian. Frequently-updated versions of mandatory or recommended instruments or codes should also be available in Russian, such as SOLAS or MARPOL and the IMDG Code. Freezing the already small number of staff in the Russian translation section was therefore unacceptable.

Mr. FARIS (United States) thanked the Secretary-General for the draft budget and said it provided an accurate picture of the Organization's financial situation, especially with regard to the external factors such as mandatory salary increases and exchange rate fluctuations. While he did not object to the authority given to the Secretary-General concerning the creation of the Trading Fund, he requested clarification regarding the figure relating to the costs of administrative backstopping services utilized by the Fund, as referred to in paragraph 5 of its terms of reference, contained in annex 7 to document C 102/8. While he understood that the 13 per cent figure to be reimbursed was standard across the United Nations system, he requested that the Secretariat carry out an informal assessment of actual costs to ensure the accuracy of that figure, so as not to adversely affect the General Fund.

He thanked the representative of the Bahamas for the document he had introduced, whose proposals he supported. He suggested that in response to Member States' expressed concerns regarding the negative repercussions of the budget reduction proposals, changes such as those affecting reporting procedures might be introduced on a trial basis.

Referring to paragraph 10.6 of document C 102/8, he accepted the Secretariat's estimation of a required 14.9 per cent increase in appropriation. With regard to the assessment increase of 22 per cent, he said the Council needed to fulfil its responsibilities to appropriately distribute resources. It was stated in table 12, contained in that paragraph, that there would be a significant decrease in miscellaneous income in the 2010-2011 biennium, as well as no transfer from the Trading Fund. As a result, he said Member assessments would increase from 91 per cent of the regular budget in the 2008-2009 biennium to 97 per cent in 2010-2011.

He expressed concerns regarding the distribution of income from Member assessments, in particular given the reserves and cash balances identified in the 2008 External Auditor's Report. According to documents C 102/5(e) and C 102/5(b)/1, at the end of 2008 the Printing Fund had had a balance of £6.3 million, the Technical Co-operation Fund of £4.8 million and the Headquarters Capital Fund of £4 million. At the end of 2009, those balances were expected to be £4.3 million, £6.5 million, and £2.5 million respectively.

Consequently, he encouraged the Secretariat to consider the reallocation of, among other resources, the surplus in the Technical Co-operation Fund. While fully supporting the Organization's technical cooperation activities, he said it was important to ensure an equal distribution among programmes. Taking into account the expected surplus in that fund in 2009 and the recorded and estimated under-spending in 2008 and 2009 respectively, the increase for the next biennium seemed very large, and he called on the Secretariat to look carefully to ensure accurate funding levels for the Technical Co-operation Programme, in particular when allocating from the Trading Fund.

Mr. COCKBURN (United Kingdom) thanked the Secretary-General for the information he had provided, and thanked the delegation of the Bahamas for the proposals contained in document C 102/8/1, and for its work in the *Ad Hoc* Working Group on the Organization's Strategic Plan, in which the United Kingdom had also been active.

When preparing a results-based budget, the Organization should, first, clearly establish and prioritize the desired results for the 2010-2011 biennium, second, identify the resources required to achieve those results and, third, establish the related costs and prepare a budget. While desired results had been established, further refinements were required to complete the second and third stages of the process, and his country was committed to play its part in that regard. It was the responsibility of the Council, in partnership with advice and expertise provided by the Secretariat, to determine what, if any, cuts were to be made. Finally, he supported the statement made by the representative of the Netherlands.

Mr. NORDSETH (Denmark) thanked the Secretary-General and his staff for the first results-based budget, which had been hard to elaborate as the High-level Action Plan for the biennium was still to be developed. He hoped the results-based budget would be further refined as it gave a much better insight into how resources were spent in the Organization. The budget must be further aligned with strategic planning and desired outputs, similar to the long-term planning provided by the Strategic Plan and the High-level Action Plan.

The proposed budget increase was of great concern, and while some increases, such as those relating to currency fluctuations, were outside the Organization's control, and therefore unavoidable, there were other areas in which choices could be made.

Staff costs, in particular for meetings, accounted for the biggest component of the budget, and as such the need for meetings, the length of meetings, and different ways to conduct meetings should be considered. He supported the related proposal made by the representative of the Bahamas. He recognized that if cuts were to be made, Members would have to expect a change in service as a result. An alternative option would be to prioritize tasks to be carried out by the Organization. However, his delegation would prefer the former strategy be applied.

He supported the comments made by the chairman of the *Ad Hoc* Working Group on the Organization's Strategic Plan, Mr. Ntuli, on the need for a continuous cost-reduction process, and proposed establishing a four- or five-year long-term strategy to identify future savings. All possibilities should be considered so the correct decisions could be made to ensure the Organization remained the primary regulator of shipping.

Ms BERGLUND (Sweden) congratulated the Secretariat on the preparation of the first results-based budget, which described the Organization's financial situation in an accurate and readable way. The global economic crisis had affected both the Organization and individual contributing governments, including her own. She could not accept the draft budget as proposed, but recognized that there was a need for a delicate balance between a reduction in costs and the resources required by the Secretariat to achieve the desired results.

Returning to the issue of translation costs, which her delegation had raised during an earlier meeting, she said chart 6 of document C 102/8 indicated that translation accounted for 30 per cent of the intergovernmental decision-making costs. Though translation was a sensitive issue, all options must be considered in order to address budget concerns. One possible option, as discussed in document C 100/15(b) and pursuant to JIU recommendations, was to consider not translating the reports of groups which only worked in English, as was the practice at the International Civil Aviation Authority, the International Atomic Energy Agency, and the World Health Organization.

Although she did not agree with all the specific proposals made by the representative of the Bahamas, she welcomed the spirit of the paper he had introduced, and said workable proposals should be ready for discussion at the next session of the Council Working Group.

Mr. HAJARA (India) welcomed the first results-based budget, but expressed concern regarding the significant increases in appropriation and in assessments, although he recognized that the second figure might be reduced by currency fluctuations. The global depression had affected all governments, and had had a particularly severe impact on the maritime sector. However, the Organization's work must not be compromised, especially with regard to piracy and environmental protection. The Organization had no control over external factors such as salary inflation and currency fluctuation, but required innovative internal measures such as those proposed by the representative of the Bahamas in order to reduce costs. In principle, he supported the draft budget, but encouraged the Secretary-General to improve efficiency within the Organization. He agreed

with the comments made by the representative of the United States regarding the need for careful resource allocation, especially given recent surpluses.

Mr. AZUH (Nigeria), thanking the Secretary-General for the draft budget, said he agreed with the comments that had been made by the representatives of Greece, the Netherlands and Cyprus. He expressed concern regarding the increase in the budget, but said States must recognize that the Organization had not been unaffected by the global economic crisis. He welcomed the proposals submitted by the representative of the Bahamas, but expressed concern regarding the suggestion made by the representative of the United States regarding the reallocation of funds from the Technical Co-operation Programme. That programme was of great importance to developing countries and, as such, the Organization should avoid any reduction in financial contributions in that regard, as such a reduction could set a dangerous precedent. Such was the importance of technical cooperation that 75 per cent of the surplus from the Printing Fund was transferred annually to the Technical Co-operation Fund, unless otherwise directed by the Assembly. He concluded by endorsing the draft budget on condition that careful consideration was given to resources for technical cooperation.

Mr. YEE (Singapore) commended the results-based budget, which provided a good framework to meet the Organization's strategic goals and objectives. He shared others' concerns regarding the proposed budget increase, as his government was also facing the impact of the global economic downturn. He urged the Secretariat to continue seeking cost-cutting measures without adversely affecting the core work of the Organization. He requested that the Secretariat prepare a more detailed breakdown of the meeting costs and other bases that had been used to calculate the results-based budget. As it was the first such budget that had been prepared, Members were not familiar with the new structure, and it was unclear how some allocations had been reached. Furthermore, it had not been clear how the administrative cost of establishing the Trading Fund had been derived, and that had been significantly higher than expected.

He recognized that it was difficult to estimate the budget given the frequent exchange rate fluctuations, and suggested that it was unrealistic to use the January-March 2009 exchange rate to calculate the 2010-2011 budget. He suggested the Secretariat should consider ring-fencing the proposed budgetary increase attributed to the fluctuation in exchange rates. Then, if the pound appreciated further, the ring-fenced budget would no longer be required and Members' assessments could be adjusted accordingly. In that way, budgetary increase attributable to exchange-rate fluctuation would not have to be incorporated in future budgets.

Finally, he thanked the representative of the Bahamas for his proposals, and said the suggested cap on the number of meeting-weeks merited further study, as it would be in line with the concept of results-based budgeting. However, he expressed concerns regarding the proposal to end meetings without a formal report being adopted. In his view, such a proposal was likely to lead to greater expenditure on resources, and not to savings.

Ms FERNANDEZ (Panama) said that the document under review provided a clear insight into the Organization's workings. However, the proposed increase was unprecedented and came at a time when Member States, including Panama, were facing increases in their national budgets attributable to the global economic downturn and fluctuations in currencies. Her government was aware that the proposed budget increase was beyond the Secretariat's control, nevertheless it should be possible to make savings by rationalizing the Organization's workload through the adoption of a coherent approach to the selection of its tasks and organizational aspects, including, for example, reducing the length of the agendas of the committees and subcommittees. Having listened to the proposals presented by the representatives of the Bahamas and the United States, she felt that, under the prevailing circumstances, the Council should be willing to consider those and

other short- and long-term solutions that Member States might put forward. The need to reduce the budget was of paramount importance and to that end the possibility of making use of available funding, such as the £6 million surplus in the Technical Co-operation Fund, should not be ruled out. Although identifying areas where minor savings could be made and acting accordingly could contribute to reducing the current budget, it would still be necessary to find and institutionalize a long-term solution in order to eliminate a similar situation occurring in future bienniums. Actions that could be taken in the short term were: limiting the number of meetings and agenda items, increasing the minimum assessed contribution, and making use of reserves; and in the long term: fixing the cost of individual meetings, reducing the number of working groups in all meetings, introducing flexible fixed-term contracts for staff members, identifying new sources of income, including an item on time/cost analysis on the agenda of the *Ad Hoc* Working Group on the Organization's Strategic Plan, and reconsidering the redeployment of undisbursed budgetary resources.

Mr. THUO (Kenya) welcomed the fact that the budget reflected the current world economic downturn, which had had a dramatic impact on Member States' national budgets. He commended the Secretary-General for recommending an increase in allocations to meet the heightened demand for ITCP activities, including to promote implementation of the Djibouti Code of Conduct on the Repression of Piracy and Armed Robbery against Ships in the Western Indian Ocean and the Gulf of Aden and to assist the Voluntary IMO Member State Audit Scheme, despite increases in staff costs and the depreciation in the value of sterling. He therefore supported the proposed contribution assessment as requested in paragraph 19 of document C 102/8 and warned that any further reduction in the budget could adversely affect the delivery of activities.

The proposals submitted by the representative of the Bahamas merited consideration. However, all suggestions for realizing possible future savings should be studied carefully to ensure their implementation would not prevent IMO from reaching its targets.

Mr. PEACHEY (Australia) welcomed the proposals and analysis contained in IMO's first results-based budget. He had noted the difficulties the Organization faced in maintaining its work programme in the face of the fall in the value of sterling and salary adjustments. He supported the proposed budget increase and looked forward to working with the Secretariat to maintain and even seek to reduce costs.

Mr. NTULI (South Africa) said that document C 102/8 demonstrated the transformations that were taking place within the Organization. Many delegates had referred to the unfavourable economic climate and its impact on their countries. He drew the Council's attention to paragraph 6.2 to demonstrate that it reflected that reality. His delegation associated itself with the comments made by the representative of the Netherlands in that an opportunity now existed to ensure that the budget figures were aligned with the Strategic Plan and the High-level Action Plan. Many delegations were experiencing cuts in their national budgets for the current year and expected further cuts in future budgets, so the Council needed to take account of the global economic situation when setting its own budget. His delegation supported the appropriation of resources where they would assist in the running of an effective Organization. The challenge facing the Council was to keep the Organization's running costs to a minimum. However, he would be concerned if the figures showed that, historically, there had been under-expenditure of ITCP resources. Money that was voted for technical cooperation should be protected for the programme, whose goal, after all, was to enable countries to implement IMO instruments. However, in future, it might be appropriate to reduce technical cooperation funding to a realistic level. His government supported the adjustments that related to those fixed costs which the Organization could not change. However, it would be worth exploring the proposals submitted by the representative of the Bahamas and other delegations with a view to reducing the 22 per cent

overall increase. That would demonstrate that the Council was not intent solely on protecting its own interests, but was sensitive to the impact of its decision on the membership as a whole.

Mr. SHIMIZU (Japan) thanked the Secretary-General for keeping budget increases to a minimum despite the fall in the value of sterling and increased staff costs. He supported the proposals in principle.

Mr. LEGROUX (France) said that the document provided a clear analysis of the many difficulties facing the Organization. Nevertheless, his government had been surprised by the size of the proposed increase in the budget, as well as in contributions. He believed that every effort should be made to find areas where savings could be made, such as the proposals submitted by the representatives of the Bahamas and Denmark to reduce the number and length of meetings, including limiting the length of MSC meetings to one week. He had listened with interest to the comments of the representative of the Netherlands on the cost of introducing a trading fund. However, given the current economic difficulties, it might be wise to postpone such a development. One area where further savings might be made was the application of International Public Sector Accounting Standards (IPSAS) to after-service health insurance. The current procedure might be suitable in the private sector where companies could not always meet their future obligations, but that did not apply to IMO, which was an international organization funded by States. He understood the challenges facing the Secretariat, but would encourage it to explore every available means of reducing costs while avoiding adverse repercussions on IMO's actions.

Mr. VASSALLO (Malta) said that he broadly supported the Secretary-General's proposals. He pointed out that it would be inappropriate to expect the IMO budget to be subject to the same requirements as that of a private company. However, such a large increase in both the budget and contributions must be open to question. He welcomed the comments of the representative of the United Kingdom on the methodology of the budget. However, he warned the Council against becoming involved in micro-management. On the other hand, it was necessary to give the committees and subcommittees clear indications regarding costs and budgeting so that they could plan accordingly. To that end, a continuous budget process was desirable. He welcomed the ideas put forward by the representatives of the Bahamas and other Member States, but feared they might have come too late. In future, proposals should be submitted well in advance to allow the working groups to discuss them. Consideration could also be given to involving the committees and subcommittees in making decisions related to the budget.

Turning to technical cooperation, he warned that threatening an entity with losing what it did not spend could encourage it to waste money on unsuitable projects. It would be helpful if the Secretariat were to elucidate the TC Fund surplus in order to remove certain misconceptions that could adversely affect the Council's decision. Although he would have preferred to see 100 per cent of the Printing Fund being allocated to technical cooperation, he realized that that could lead to an increase in the assessments. He had always supported technical cooperation and hoped that its resources would not come under attack. He suggested that some of the surplus could be reallocated to the Voluntary IMO Member State Audit Scheme to enable countries to be audited that might not otherwise be able to afford it. He reiterated his support for the budget proposals, pointing out that it was pointless to ask the Organization to perform certain tasks and then to withhold the requisite funding. IMO must continue to be the leader in world shipping.

Mr. OLIMBO (Italy) observed that the Secretary-General's proposed budget increase for the 2010-2011 biennium certainly bucked the current trend, given the current global economic recession. His delegation had hoped for more specific and pragmatic suggestions on ways of reducing the proposed budget. Having noted Member States' general reluctance to an increase of that magnitude, he regretted that only a few had suggested possible alternatives. To be coherent,

resources should be duly allocated in order to support the strategic directions and objectives set out in the Organization's Strategic Plan. Failing that, it might be necessary to amend the plan, thus jeopardizing IMO's prominent role in the global arena as the only international regulatory body in the maritime field. His government therefore believed that emphasis should instead be placed on enhancing the Organization's ability to fulfil its mandate.

In the face of new challenges including climate change, piracy and goal-based standards, it was essential to pursue the adoption of a new treaty for the improvement of maritime security and marine ecosystem protection. He also drew attention to the fragility of a system that had witnessed a sharp fall in the value of sterling and Professional staff salary post adjustments due to circumstances beyond the Organization's control. Italy supported in principle the Secretary-General's proposals and commended his initiative of providing the Council with a transparent framework of resource allocation to support the efficient and effective delivery of IMO's duties and responsibilities. He was confident that the Secretary-General and his staff, through prudent management of IMO's financial affairs, would achieve the savings required to reduce the budget. He also welcomed the proposal submitted by the Bahamas. Finally, he said the Technical Co-operation Fund and the associated Integrated Technical Co-operation Programme (ITCP) were crucial to developing countries and should receive additional support and possibly be improved.

Mr. MALIK (Malaysia) expressed appreciation to the Secretary-General for preparing a comprehensive results-based budget for the forthcoming biennium. As an export-dependent economy, his country had been affected by the global economic downturn. Malaysia shared IMO's aspirations for safe, secure and efficient shipping on cleaner oceans and endeavoured to achieve the highest practicable standards. In present times, it was necessary to be particularly vigilant, hence his support for the budget proposals presented, including the suggestions to reduce costs, where applicable. He further suggested that any unspent balances within the Organization should be used to reduce Member States' contributions.

Mr. STURT (New Zealand) said that, although the size of the proposed budget increase was a matter of concern, it should be remembered that the Secretary-General had had to prepare his budget proposal under trying circumstances. After deduction of the unaffordable budget costs, the proposed increase was significantly less. On that basis, and taking into account the high expectations of Member States, his delegation was in favour of the draft budget and would support the ongoing review of costs by the Secretariat. He urged Member States to exercise caution in considering any reduction in the budget for the Technical Co-operation Fund, emphasizing its essential role in fostering effective flag State control throughout the world.

Mr. BRADY (Jamaica) appreciated the clear and comprehensive explanation of the reasons for the inevitable budget increase. Jamaica therefore supported in principle the budget proposal. Extensive consideration had been given to ways of reducing costs, such as capping the number of meetings and improving work efficiency. Substantial savings could also be achieved by unfilled staff vacancies. He recalled that a few years earlier, the Technical Co-operation Committee (TCC) had met during the same week as the Council. He wondered whether that could become a permanent arrangement for the first session of the Council and the first session of the TCC of each new biennium, thus reducing the duration of the TCC session to one day and that of the Council to four days in the post-Assembly year. Moreover, he suggested renting out facilities that were available outside meeting periods. Mindful of the security concerns that might be raised, it could be organized very discreetly and selectively, in accordance with IMO's own security needs.

Mr. VILLALBA (Argentina) pointed out that the current economic restrictions had not been in place at the time of approval of the High-level Action Plan and the Strategic Plan, therefore the proposal to limit the Organization's workload was particularly relevant. The increase in the budget was justified by the need to adapt to the present situation. However, in order to limit that increase, attention should be focused on identifying IMO's high-priority programmes, without undermining the importance of the Technical Co-operation Fund and the Printing Fund. He was confident that the Secretary-General would achieve a successful balance between the various elements.

Mr. ESCHERICH (Germany) said that, as the third largest contributor to the United Nations system, in times of financial crisis Germany opted for a policy of zero-real growth. In the case of IMO, however, an inevitable budget increase linked to exceptional, external factors was acceptable. The budget proposal directly related to the main issues in the Strategic Plan and the High-level Action Plan, which Germany had always supported, and the necessary funds should be provided to meet the challenges facing the Organization. Every effort should be made to reduce Member States' contributions, and he concurred with the proposals by the United States on reasonable and comprehensive distribution of resources, and on unspent funds. Germany would also endorse the budget proposal subject to the inclusion of the noteworthy suggestions proposed by Denmark and France.

Mr. LIM (Republic of Korea) supported in principle the budget proposed by the Secretary-General. Referring to document C 102/8/Add.1, he highlighted the negative impact of the fluctuation in the exchange rate of the pound sterling on the budget and looked forward to the strengthening of its value so that the proposed budget increase might be reduced. The Republic of Korea welcomed the developments achieved with respect to the Trading Fund since the previous session of the Council, and believed that considerable savings would be achieved in the long term. Turning to the submission by the Bahamas, he particularly valued the recommendation on the reporting procedure at the end of each meeting. Concerning the reduction of the duration of meetings, he expected the *Ad Hoc* Council Working Group on the Organization's Strategic Plan to reach a positive outcome on the issue at its next session. With regard to the budget for the Technical Co-operation Fund, he hoped that it would be spent more carefully. His own government was endeavouring to achieve national budget savings and he was fully confident that the Secretary-General would do his utmost in the interest of the Organization's finances.

Mr. ELAHI (Bangladesh) said that his delegation appreciated the need for a budget increase as a result of the fall in the value of the pound sterling and the Professional staff salary adjustments. Regarding the increases in assessment levels, however, he supported the views of the representatives of the United States and of India. He also expressed support for Singapore's suggestion that ring-fencing should be applied to the proposed budgetary increase to exchange-rate fluctuations. Priorities might be reviewed and certain activities might be carried out over periods of more than two years in order to reduce the cost of the proposed budget. Regarding the document submitted by the Bahamas, he considered that the savings that would result affected only variable meeting costs, and were not likely to be significant. He also suggested further consideration of the proposal by Jamaica.

Mr. GÜCEL (Turkey) believed that the proposals made by the delegation of the Bahamas should be given due consideration. He associated himself with the comments of Member States which had called for a cautious approach to budgetary plans in the current economic context. Turkey endorsed the Secretary-General's proposed budget although it had no objection to further refinement if done at the request of the Council.

The meeting rose at 12.30 p.m.