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**RESULTS-BASED BUDGET  
FOR THE TWENTY-SIXTH FINANCIAL PERIOD 2010-2011**

**Additional information in respect of documents C 102/8 and C 102/8/Add.1**

**Note by the Secretary-General**

**RESOURCE REQUIREMENTS FOR INDIVIDUAL MEETINGS**

1 Tables 10 and 11 of document C 102/8, which show the resource requirements for the Strategic results by meetings and cost types, is further elaborated in the Table below, which details the cost estimates for individual meetings.

**Resource requirements for each meeting by cost group for 2010-2011**

	Staff costs	Non-post personnel	Operating expenses	Total
Assembly	1,286,800	254,600	433,200	1,974,600
Council	2,464,900	267,800	795,900	3,528,600
<b>Governing bodies</b>	<b>3,751,700</b>	<b>522,400</b>	<b>1,229,100</b>	<b>5,503,200</b>
MSC	3,463,900	588,100	1,282,500	5,334,500
MEPC	3,304,500	495,400	1,314,800	5,114,700
LEG	759,500	118,000	301,200	1,178,700
TCC	1,230,900	102,000	300,700	1,633,600
FAL	567,600	107,900	202,000	877,500
<b>Committees</b>	<b>9,326,400</b>	<b>1,411,400</b>	<b>3,401,200</b>	<b>14,139,000</b>
COMSAR	468,700	105,100	194,100	767,900
DE	650,400	169,900	254,700	1,075,000
FSI	579,300	108,700	224,400	912,400
NAV	534,600	105,300	212,500	852,400
BLG	707,100	110,100	265,200	1,082,400
FP	536,500	121,400	193,500	851,400
DSC	705,000	119,000	267,000	1,091,000
STW	632,200	120,500	260,200	1,012,900
SLF	541,200	97,800	206,500	845,500
<b>Sub-Committees</b>	<b>5,355,000</b>	<b>1,057,800</b>	<b>2,078,100</b>	<b>8,490,900</b>
<b>LC</b>	<b>530,800</b>	<b>130,000</b>	<b>198,000</b>	<b>858,800</b>
<b>Diplomatic Conferences</b>	<b>336,300</b>	<b>102,700</b>	<b>134,000</b>	<b>573,000</b>
GESAMP	52,800	49,400	29,100	131,300
Intersessional WGs	802,500	8,900	288,100	1,099,500
Correspondence WGs	136,500	1,700	21,900	160,100
Other meetings/WGs	384,300	3,400	82,400	470,100
<b>All other meetings/WGs</b>	<b>1,376,100</b>	<b>63,400</b>	<b>421,500</b>	<b>1,861,000</b>
<b>TOTAL</b>	<b>20,676,300</b>	<b>3,287,700</b>	<b>7,461,900</b>	<b>31,425,900</b>

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## FINANCIAL IMPACTS ON THE REGULAR BUDGET OF THE NON-ESTABLISHMENT OF THE TRADING FUND

2 The financial impacts resulting from the proposed establishment of the Trading Fund are mentioned at various paragraphs/Tables in document C 102/8 as follows:

- .1 Paragraph 8.5 and Table 6: It is estimated that the establishment of the Trading Fund will **reduce Staff costs in the regular budget by £830.4k** for the next biennium since currently the costs of some staff members undertaking publishing activities are borne by the regular budget appropriation and the estimated costs are reimbursed from the Printing Fund to the regular budget as income.
- .2 Paragraph 8.12 and Table 8: The programme/volume changes reflect the shift of the costs associated with the Organization's commercial activities (initially, publishing and catering) to the Trading Fund rather than being reimbursed to the regular budget and accounted for as income.
- .3 Paragraph 8.13 and Table 8: The proposed budget increase under the heading of Office consumables/services (which include the costs for ICT/IS maintenance, minor office equipment/furniture, communications, expendable supplies, library books/magazines, medical material, local transport and hospitality) is comprised chiefly of three programme/volume changes. The first is **catering costs, which are budgeted at £1,099.6k** for the current biennium under the regular budget but are now presented in the budget estimate for the Trading Fund.
- .4 Paragraph 10.3 and Table 12: The reimbursements from the Trading Fund for **administrative backstopping costs are set at £1,339.4k**, which is much lower than those of the current biennium of **£1,999.9k from the Printing Fund**, as noted in Table 12 below, because a portion of the relevant costs are to be directly charged to the Trading Fund accounts.
- .5 Paragraph 10.5 and Table 12: The total **miscellaneous income is estimated at £100k** for the next biennium, which is a significant reduction from the current biennium's **estimated total of £1,442k**. This is because the earnings from the Organization's catering services, which are one of the major components in miscellaneous income for the current biennium (£917.8k), will not be accounted for under the regular budget but under the Trading Fund. The other main source of miscellaneous income represents interest earned from funds not needed for immediate requirements, which are invested with major banks, but the global economic downturn has led to very low interest rates and a correspondingly low income for the next biennium.
- .6 Paragraph 12.2 and Tables 13 and 14: The estimated increase of 23.6% is comprised of **pay/price changes of £491.9k** (5.2% points) and **programme/volume changes of £1,729.8k** (18.4% points). The programme/volume changes reflect partly the establishment of the Trading Fund and partly the projected increase in sales. The budget changes arising from the introduction of the Trading Fund can be seen in three cost groups, which are provided in Table 14 reflecting the rearrangement of posts; the associated operating expenses (such as rent and utility bills; capital investments, depreciated

over their useful life; and the liabilities in respect of staff benefits including ASHI); and the Organization's administrative back-stopping services (such as accounting, payroll, budgeting, procurement, human resources services, training, IT and facilities management), charged to the Trading Fund at a rate of 13% on the expenses incurred.

3 In summary, if the proposed establishment of the Trading Fund is postponed to another biennium, the total impact on the regular budget will be additional costs of £3,108.2k in the expenditure budget and reduction in assessment of £227.6k, which will result in the overall increases of 20.6% in budget and 21.5% in assessment.

#### **AFTER SERVICE HEALTH INSURANCE AND RELATED LIABILITIES**

4 The Council will recall that, in approving the Organizations budget for 2008-2009, it had agreed that the Organization's liability for "deferred costs" of employment, the most obvious examples being the after service health insurance (ASHI) provided to retired employees; the repatriation grant entitlement; and the cost of unused annual leave, be accounted for and funded through the Organization's existing Termination Benefit Fund (TBF) and accordingly agreed a minimum transfer of £1 million be made to the TBF in 2008 from the prospective 2007 year-end cash surplus in the General Fund and, in addition, agreed that the scope of the TBF be revised to include provision for ASHI and accrued annual leave liabilities. The 25th regular session of the Assembly endorsed the Council's recommendations.

5 The reason for funding this liability is to ensure compliance with IPSAS, which requires all costs of employing staff during the course of the year to be accounted for, whether those costs are borne in the year or later. One of the issues of IPSAS implementation is to find an approach to best finance the anticipated liability because of the complexities of establishing present liabilities, which will be discharged over an uncertain number of years. The total liability related to staff paid through the regular budget and retirees is currently estimated at approximately £18.9m comprised of: repatriation £2.3m; accrued annual leave £1.6m; and ASHI £15.0m. Hence the need for the Organization to allocate funding each biennium, for a number of biennia, to meet the projected liability.

6 The United Nations has proposed a plan whereby an 8% surcharge on staff costs would be levied and set aside to build up funds to pay for its liability, rather than counting on a "pay as you go" basis. Many other organizations are moving in this direction and a number of organizations already have supplementary assessment programme in place to fund the liability with some 4% to 9% surcharge on payroll.

#### **TECHNICAL CO-OPERATION FUND RESERVES**

7 There are a number of factors which impact on the ratio of budget to expenditure, as follows:

- .1 **Budgeting forecasts:** The fluctuation of currencies against the dollar had a profound effect on real costs in 2008; as can be seen from the rising cost of WMU and IMLI fellowships, which are invoiced in Euros, and the cost of airfares for TC Consultants.

- .2 **Accounting adjustments:** In the main, these accounting adjustments are due to the time-lapse in receiving Inter-Office Vouchers and invoices from UNDP field offices and other sources of disbursement, which means that a certain percentage of funds committed during one year will be reflected in the next year's figures, although the activity may itself already be completed.
  - .3 **Savings on budgets:** Considerable efforts are also made by the Secretariat to make savings, where possible. For example, a significant number of TC Consultancies took place on a no-fee basis, resulting in substantial savings to the TC Fund. Similarly, efforts to use consultants from the recipient region resulted in frequent savings on air-fares. The current 66 partnerships negotiated by the Secretariat have gone a long way in saving money through the provision of in-kind support, and this generous support is fully documented in the Interim Report on the ITCP, document TC 59/2.
  - .4 **Identification of host countries:** The majority of IMO's TC activities comprise training events such as workshops, seminars and training courses. Whether national or regional, these are hosted by Member States, and while every effort is made to identify a host country when the activity is planned at the beginning of a biennium, operational realities dictate that in certain cases, the host countries have to pull-out, sometimes at short notice. This entails delays in re-scheduling the training event whilst the Secretariat endeavours to identify alternate hostship facilities, and starts the whole implementation process again. This type of delay, which is beyond the Secretariat's control, can cause slippage of three to six months and may take the activity into a new calendar year.
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