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REVIEW OF THE WORK PROGRAMME AND BUDGET FOR 2003

Note by the Secretary-General

SUMMARY

Executive summary:	This document provides a review of the Organization's work programme and budget for 2003, in accordance with resolution A.906(22).
Action to be taken:	Paragraph 11
Related documents:	C 86/10, C/ES.21/17 & Add.1, A 22/22, A 22/22/Add.1, C 88/18(e)/Add.1 and C 89/19(d)

1 Introduction

1.1 It will be recalled that the Assembly at its twenty-second regular session in November 2001 by resolution A.906(22) adopted the Organization's work programme and budget for the twenty-second financial period 2002-2003. The Assembly authorized the Council at its eighty-ninth session "to review the 2003 programme budget provisions and, if it decides it is necessary, to approve any appropriate recalculation of the 2003 appropriations and assessment figures in the light of the budgetary and exchange rate situation at that time".

1.2 Table 1 below sets out the total approved appropriation for the biennium 2002-2003.

Table 1

2000-2001	2002-2003	Percentage change
Appropriation	Appropriation	%
£	£	
37,052,500	39,531,100	6.7

1.3 The Council will recall that the appropriation for 2002 was set at 2.9% above the approved appropriation for 2001 and that the appropriation for 2003 was set at 2.7% above the 2002 level. Table 2 shows the approved appropriations and the corresponding assessments for 2002 and 2003 after deducting the estimated miscellaneous income, technical co-operation support cost reimbursements and the approved transfer from the Printing Fund as decided by Assembly resolution A.906(22).

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Table 2
Appropriations and assessments 2000 - 2003

	A	B	B as % change to A	C	C as % change to B	D	D as % change to C
	2000 Appropriation £	2001 Appropriation £	%	2002 Appropriation £	%	2003 Appropriation £	%
	18,104,700	18,947,800	4.7%	19,502,500	2.9%	20,028,600	2.7%
Less:							
Miscellaneous income	(140,000)	(70,300)	-49.8%	(200,000)	184.5%	(200,000)	0.0%
Retrospective refund from local Authority rates accrued in 2001	-	(350,000)	-	-	(100.0%)	-	-
Transfer from accumulated reserves	-	(160,000)	-	-	(100.0%)	-	-
Transfer from the Printing Fund	(200,000)	(200,000)	0.0%	(400,000)	100.0%	(400,000)	0.0%
Net to be assessed	17,764,700	18,167,500	2.3%	18,902,500	4.0%	19,428,600	2.8%

2 The programme budget

2.1 Table 3 shows the appropriations by Major Programmes.

Table 3
Programme appropriations 2003

Major Programmes	£
General policy and direction	836,000
Maritime safety	1,910,000
Marine environment protection	1,495,400
Legal affairs	626,500
Facilitation of maritime traffic	193,200
Cross sectoral activities	586,300
Technical Co-operation and institutional development	1,613,000
Conference services	5,232,200
Administrative services	4,163,800
External relations and information services	807,000
Total estimated programme costs	17,463,400
General operating expenses and headquarters premises	3,795,300
Estimated staff turnover (30 work-months)	(136,000)
Total appropriation	21,122,700
Estimated direct/indirect costs recoverable from the Printing Fund	(819,900)
Reimbursement of Technical Co-operation support costs	(274,200)
Net proposed appropriation	20,028,600
Less: Estimated miscellaneous income	(200,000)
Transfer from the Printing Fund	(400,000)
Net to be assessed	19,428,600

2.2 The direct costs of the Major Programmes include staff costs, overtime and temporary assistance, official travel, consultancy and the costs of Meetings. Table 4 below displays the number of meeting weeks approved by the Assembly for 2003, which includes the twenty-third session of the IMO Assembly in November 2003.

Table 4
List of meetings approved for 2003

Meeting	2003
	Number of meeting weeks
Assembly, twenty-third session	2.0
Council and Technical Co-operation Committee	1.2 ¹
MSC & MEPC	2.5
Sub-committees	9.0
Legal Committee	2.0
London Convention	1.0
Facilitation Committee	1.0
Diplomatic Conferences	
Ballast Water	1.0
Protocol to the 1992 Fund Convention	-
Total	19.7

2.3 The Council will recall that the approved appropriations for the Work Programme and Budget for the 2002-2003 biennium included provision for the list of meetings approved by the Committee and the Council, as shown in Table 4 above. The programme of meetings included a provision to hold a two-day TCC meeting during the Council's ninetieth session in June 2003.

2.4 The Technical Co-operation Committee (TCC) at its fifty-first session recommended a two-day, stand-alone session of the TCC, back-to-back with a workshop on partnership-building, to be held before the ninetieth session of the Council in 2003. This recommendation was considered by the Council at its eighty-eighth session in June 2002, which approved it on the basis that the TCC session will be financed from the Organization's accumulated reserves and the Workshop from the Technical Co-operation Fund.

2.5 The Council will also note that a diplomatic conference to adopt a protocol to the 1992 Fund Convention is to be held at IMO, Headquarters in 2003. The cost will be reimbursed by the International Oil Pollution Fund and therefore will have no financial implication to IMO.

¹ / One week for the June regular session of the Council and one day for the extraordinary session of the Council prior to the Assembly, which included two meeting days for the June session of TCC (See para. 2.4)

3 Budgetary assumptions

3.1 The Organization's expenditure is affected by external pay and prices in the United Kingdom (UK) economy and by changes to the remuneration levels of staff as recommended by the International Civil Service Commission (ICSC) and approved by the General Assembly of the United Nations. The relevant budgetary assumptions included in the appropriations for the current biennium were:

UK Average retail price index (RPI):	2.3%
UK Average earnings index (AEI):	3.0%
£/\$ Exchange rate:	\$1.41 to £1

3.2 Based on the above assumptions, an increase of 2.3% on annual cost of living adjustment for Professional staff was foreseen with effect from May 2002 and May 2003. An annual interim salary adjustment for General Service staff of 3% was estimated with effect from October 2002 and October 2003. The financial provisions to meet these estimated cost of living increases were provided in the programme budgets for 2002 and 2003.

3.3 As noted in C 89/19(d), the lower than forecast movement in the UK RPI did not, in the event, lead to the award of an upward cost-of-living adjustment to the salary levels of staff in the Professional and higher categories, in 2002, as had been assumed for budgetary planning purposes.

3.4 Since that assumption had also been carried forward into the budget forecast for 2003, the non-award of a 2002 cost-of-living adjustment will lead to the same budgetary savings in 2003. However, as is also noted in C 89/19(d), at its current summer session, the ICSC is considering possible increases in the net/base salary scale for staff in the Professional and higher categories as part of its consideration of the "margin" between United Nations salary scales and those of the comparator, the United States Civil Service.

3.5 The Secretary-General expects to be in a position to report on the ICSC's recommendations and its budgetary implications in an addendum to this document. However, the Commission's recommendations will probably not be considered by the General Assembly until after the Council's November 2002 session. Accordingly, the Secretary-General will report on the General Assembly's considerations to the Council's 90th session in June 2003, in his preliminary assessment of the budget prospects for 2003, together with a recommendation, if appropriate, for a supplementary estimate, to be funded from the Organization's accumulated reserves. However, experience suggests that it would be imprudent to plan on that assumption.

3.6 The average £/\$ United Nations operational rate of exchange during the first eight months of 2002 was \$1.45 to £1. All items Retail Price Increase and Average Earnings Growth in the UK economy stood at 1.5% and 4.5% respectively as at August 2002. The forecast average for the £/\$ rate of exchange for 2003 is \$1.50 to £1. The latest available authoritative reports on pay and price factors in the United Kingdom economy forecast that the £/\$ exchange rate may remain at the current level in the remaining months of the year. However, recent experience suggests that it would be imprudent to plan on that assumption. If it were to remain at that level for 2003, it would generate some budgetary surpluses under the US\$ denominated expenditure components.

4 Staff complement

4.1 The staff complement for the 2002-2003 biennium was approved by the Assembly at its 22nd regular session. The approved staff complement represented 127 Professional and 164 General Service posts to be financed from the regular budget and 6 Professional and 19 General Service posts to be financed from the Printing Fund.

Maritime Security

4.2 As reported to the Council in document C 89/19(d), the Secretary-General's proposal for strengthening the Organization's capacity on Maritime Security matters was considered by the Council at its 88th session. The Council endorsed the establishment of a Technical Adviser plus secretarial support as part of the Organization's complement. The initial costs to be incurred in 2002 are to be met from the approved appropriation for 2002. The annual cost of the new positions is estimated at £150,000 for 2003, and will be financed from the Organization's accumulated reserves since no budgetary provision was included in the appropriation for 2003.

4.3 Accordingly, Table 5 below sets out the complement including the new positions for Maritime Security for 2002 and 2003.

Table 5
List of posts approved for 2002 and 2003

	Professional and higher categories		General Service category		Total
	Regular budget	Printing Fund	Regular budget	Printing Fund	
Office of the Secretary-General	5	-	5	-	10
Maritime Safety Division²	21	1	17	-	39
Marine Environment Division	13		8	-	21
Legal Affairs and External Relations Division	13	1	10	-	24
Administrative Division	26	2	66	18	112
Conference Division	42	2	48	1	93
Technical Co-operation Division	8	-	11	-	19
Total	128	6	165	19	318

² Including one additional Professional post and one General Service post for Maritime Security
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4.4 Council will recall that the complement set out in Table 5 is subject to the financial limits set by the appropriation for 2003. In this respect, in order to deliver the work programme within the approved budget, the appropriation approved for the biennium 2002-2003 included a 6% vacancy level representing 90 Professional and 36 General Service work-months to kept vacant year-on-year during 2002 and 2003.

5 Benefits and allowances

5.1 The Secretary-General has reported to the Council's 88th session in document C 88/18(e) that the majority of IMO staff members are covered by a private health insurance scheme provided by Van Breda which has world-wide cover. Some staff members have opted for BUPA which covers medical health insurance within the United Kingdom. Both schemes are extended to retired staff members who have been participants in one of the scheme for over ten years while employed by the Organization.

5.2 As reported to the Council, the basis of the scheme (the Plan) is that the costs of the medical care are met by the income from premium payments and the Plan is designed to be self-financing. The cost increase in Van Breda premiums is determined by annual medical inflation and the amounts claimed by the participants, and following negotiations with Van Breda, the Plan includes a "cap" of 15%. However, on the basis of the deficit in the Plan over the last two years due to the high costs of medical care as well as unusually high increase in claims submitted, the Organization has been informed by the insurers that it is necessary to increase the premiums considerably with effect from 1 January 2003. The Organization is currently reviewing the prospective increase on premiums, and a prudent assessment at this juncture of the financial consequences in 2003 will be to provide an additional £100,000 approximately in the 2003 budget to meet the Organization's increased share of the medical insurance premiums. The Secretary-General will provide an update on the negotiations with Van Breda prior to the Council's 89th session.

5.3 The Secretary-General therefore seeks the Council's endorsement that such unforeseen and extraordinary increase in premiums should be met from supplementary estimates to the 2003 appropriations to be financed from the Organization's accumulated reserves. The Secretary-General will additionally provide a final assessment to the Council at its 90th session in June 2003.

6 Indirect costs

6.1 The indirect costs comprise the expenditure on general operating expenses and the Headquarters premises. Estimates for the indirect costs of the Organization for 2003 amount to £3,795,300, and are largely accounted for by the Organization's rent, rates, and maintenance of the Headquarters premises. The provision for 2003 was based on the 2001 outturn level with an allowance for annual inflation adjustments in 2002 and in 2003.

6.2 The Secretary-General will continue to explore the scope for savings under these expenditure items as far as practicable.

7 Technical Co-operation support cost income

7.1 The Secretary-General will review the level of annual support cost income receivable under Trust Funds in the light of the actual project delivery level for 2002, and update the forecast support cost income in his preliminary assessment for the Work Programme and budget for 2003 which will be presented to the Council at its ninetieth session in June 2003.

8 Overview

8.1 On the basis of this provisional forecast, the Secretary-General considers that the appropriation for 2003 will need to be increased in part to meet the costs of the new positions for Maritime Security and the prospective increase to the Organization's contribution to the Van Breda medical scheme. The Secretary-General will issue an addendum to this document which will display the revised Programme allocations taking account so far as possible, of ICSC's recommendations concerning the net/base salary scale for Professional staff and the higher categories.

9 Income

9.1 The Organization's cash inflows and outflows are entirely dependent on contribution receipts from Member States.

9.2 The Secretary-General would like to thank Member States for the efforts which have been made by them to fulfil their financial obligations. Assessment notices and related invoices for 2003 will be sent to Member States in December this year.

10 Printing Fund

10.1 It will be recalled that the Assembly at its twenty-second session, by resolution A.906(22), approved the estimated expenditure in respect of the direct and indirect costs for IMO's printing and publishing activities of £2,951,600 for 2002 and £3,014,100 for 2003.

10.2 The Secretary-General has reviewed the expenditure and income programmes for 2003, and recommends that a supplementary budget estimate is approved in respect of the expenditure components set out in Annex 4 of document C 89/19(d) in order to sustain the publishing programme for 2003 and to further promote online publishing and e-commerce. The Secretary-General therefore seeks the Council's endorsement to the additional appropriation of £177,600 representing a 5.9% increase appropriation on the original budget of £3,014,100, which will be financed from publication sales revenue.

11 Action requested of the Council

11.1 The Council is invited to:

- .1 take note of the information contained in this document and the conclusion of the Secretary-General's review of external pay and price factors;
- .2 note the Secretary-General's continuing commitment to achieve economies where possible;

- .3 note the approved staff complement and the staff turnover level required to contain expenditure within the approved appropriation;
- .4 note the requirement for a supplementary estimate to meet certain unforeseen needs and to approve the revised appropriation by Major Programmes set out in the addendum to this document;
- .5 approve the financing of the supplementary estimate from the Organization's accumulated reserves;
- .6 approve the Secretary-General's proposal for a supplementary estimate under the Printing Fund of £177,600 to finance the printing and publishing programme in 2003;
- .7 note the authority given to the Secretary-General by the Assembly at its twenty-second session in resolution A.906(22) to draw, if necessary, on the Printing Fund, the Headquarters Capital Fund, the Technical Co-operation Fund and the Termination Benefit Fund monies to finance the approved regular budget programme appropriations; and
- .8 urge Member States to remit their financial contributions promptly in accordance with the Organization's Financial Regulations and Rules.
