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108th session
Agenda item 12(c)

C 108/12(c)
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WORLD MARITIME UNIVERSITY

(c) Financial Sustainability

Note by the Secretary-General

SUMMARY

Executive summary: This document responds to the request, made by the Council at its 106th session, that the Secretary-General prepare proposals for the establishment and operation of an endowment fund to contribute to the sustainable financing of the World Maritime University

Strategic direction: 3.1

High-level action: 3.1.3

Planned output: 3.1.3.1

Action to be taken: Paragraph 16

Related documents: C 104/12(b), C 104/12(b)/1, C 104/D; C 105/11, C 105/D; C 106/13(c), C 106/D and resolution A.1031(26)

1 At its 106th session in June 2011, the Council requested the Secretary-General to prepare proposals for the establishment and operation of an endowment fund to contribute to the sustainable financing of the World Maritime University (WMU).

2 In light of the above, governance and operational modalities are proposed below, based on a potential endowment fund to be established in the name of WMU, which would allow IMO Member States and donors to make cash donations to the University to help ensure its long-term financial sustainability.

Establishment of a WMU Endowment Fund

3 The Fund would contribute to the cost of ongoing WMU operational activities on an annual basis, helping to create a stable and permanent source of core funding for the University. This, along with student fellowships, and together with core funding from other sources (such as the Government of Sweden and annual professorial Chairs funded by the Nippon Foundation, INMARSAT, and the Government of Canada), would provide the University with a steady revenue stream, thus allowing it to enter into long-term commitments such as employment contracts and capital investments.

Proposal for Fund governance and management

4 It is proposed that the Fund be managed by a Board of Trustees comprising three members, to be appointed by the WMU Board of Governors for a term of three years. The Secretary-General, the WMU Executive Board and the President of the University will each nominate one trustee.

5 The President's nominee would also be the executive member of the Board of Trustees and would be responsible for overseeing the implementation of the decisions made by the Board of Trustees.

6 The Board of Trustees would report annually on the status, investment vehicles, balance and yield of the Fund to the University's Board of Governors, which would, in turn, address these matters in its annual report to the Council.

7 The Board of Governors would decide on the allocation of any Fund distributions, which may include the following:

- Professorships
- Student fellowships
- Special projects
- Awards
- General operations

8 The Fund would be held in bank and investment accounts as decided by the Fund's Board of Trustees, and as approved by the Board of Governors. The Fund would be subject to audit and included in the annual audit of the University's accounts.

9 The Fund should be set up in such a manner that yields are tax exempt under the rules of operations of the University and all investments be made, in principle, in such a manner that the corpus of the fund grows annually with no, or very low, risk.

10 In accordance with the proposal offered by the Secretary-General, the WMU Endowment Fund yield should eventually provide WMU with annual revenue equal to the contribution from the Swedish Government, circa €2.5 million. Assuming a 5 per cent yield and that the distribution of the yield to WMU is limited to 50 per cent, the corpus would need to be €100 million or greater for the expectations of the Secretary-General to be fulfilled. Thus, WMU will rely heavily on significant contributions from Member States and other entities for the Fund to have a meaningful impact.

11 For comparative purposes, it may be noted that the United Nations University (UNU) began operations in 1972 funded by a USD 100 million (= USD 530 million in 2012 currency) endowment from the Japanese Government, overseen by its governing council and reported to the United Nations General Assembly. The yield from the fund today provides some 35 per cent of the budget of UNU*.

12 For similar funds held by other universities, the return on investments has historically been in the range of 10-11 per cent, and sometimes in excess of 20 per cent. However, in recent years, as a consequence of the global financial crisis, a substantial deterioration of the corpus has been experienced and the historical long-term average investment return rates seem to have stabilized at a lower 2-6 per cent rate. Therefore,

* Biennium 2008/2009.

a long-term, rolling average of returns should be considered as the basis for calculating expected yields.

Modalities

13 Distributions to the University from the Fund would only commence once the total value of the Fund reaches a substantial level. Until such time, it is proposed that the entire yield be reinvested to allow the Fund to grow. Once the corpus exceeds the target level, the Board of Governors will determine the proportion of the Fund earnings to be allocated to the University's annual budget.

14 Donors to the Fund may avail themselves of tax-exemptions pertaining to their national fiscal regulations, as appropriate.

15 The source and amounts of distributions to the Fund would be reviewed annually by the Board of Governors, which, subsequently, would report this information to the Council.

Action requested of the Council

16 The Council is invited to note the information provided in this document and comment and decide, as it may deem appropriate.
