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## RESOURCE MANAGEMENT

### (d) Budget considerations for 2007

#### Note by the Secretary-General

#### SUMMARY

<b><i>Executive summary:</i></b>	This document updates the information provided in document C 98/5(e) on the Secretary-General's initial overview of the Organization's budget prospects for 2007. It summarizes the forecast overall budgetary position for 2007 updated with the out-turn level as at 31 August 2007. The document also sets out the status of the Organization's administrative/budgetary Funds (the Printing Fund, Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund) and extra-budgetary programmes.
<b><i>Action to be taken:</i></b>	Paragraph 27
<b><i>Related documents:</i></b>	C 97/5(c), C 98/5(e) and resolution A.969(24)

#### Introduction

1 The Secretary-General's initial overview and his updated assessment on the Organization's budget prospects for 2007 were presented to the Council's ninety-seventh and ninety-eight sessions in documents C 97/5(c) and C 98/5(e), respectively. This document further updates the previous budgetary prospects for 2007, based on expenditure trends seen as at 31 August 2007. It also reports on the status of each of the various Funds of the Organization as at 31 August 2007.

#### Recent movements in pay and price factors

2 The Council is well aware that variances in expenditure from the approved programme budgets are influenced by movements in external pay and price changes in the United Kingdom economy and by changes in the UN Common System for salaries, allowances and conditions of service, determined by the International Civil Service Commission (ICSC). Table 1 below shows the latest movements, compared with the budgetary assumptions, of the inflation and the average earnings indices in the United Kingdom economy. Detailed actual movements are captured in Chart 1, which indicates that the annual inflation rate in the United Kingdom's Retail Price Index (RPI) has slowed down recently to 4.1% from its 2007 peak of 4.8% in March. The RPI is,

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however, above the 2% budgetary assumption. The Average Earnings Index (AEI) has remained stable in 2007 between 3.3% and 3.6%, with the latest available data indicating 3.6% in July 2007, which is below the budgetary assumption of 4.2%. The UN operational US dollar exchange rate against the pound sterling averaged 1.99 for the first nine months of the year, representing a 12% depreciation of the US dollar compared with the budgetary assumption rate of 1.75. Overall, the combined impacts of these pay and price factors' movements on the Organization's expenditure are positive.

**Table 1**  
**Trends of economic indicators**

	Budgetary assumption	Actual movements					
		2006			2007		
		Jan	Dec	Average	Mar	Latest <sup>▲</sup>	Average
UK Average Earnings Index (AEI): % <sup>1/</sup>	4.2	3.9	3.6	3.8	3.6	3.6	3.5
UK Average Retail Price Index (RPI): % <sup>2/</sup>	2.0	2.4	4.4	3.2	4.8	4.1	4.3
USD/GBP exchange rate <sup>3/</sup>	1.75	1.72	1.95	1.84	1.97	2.01	1.99

1/ 12-month percentage change of regular pay (excluding bonuses) \*

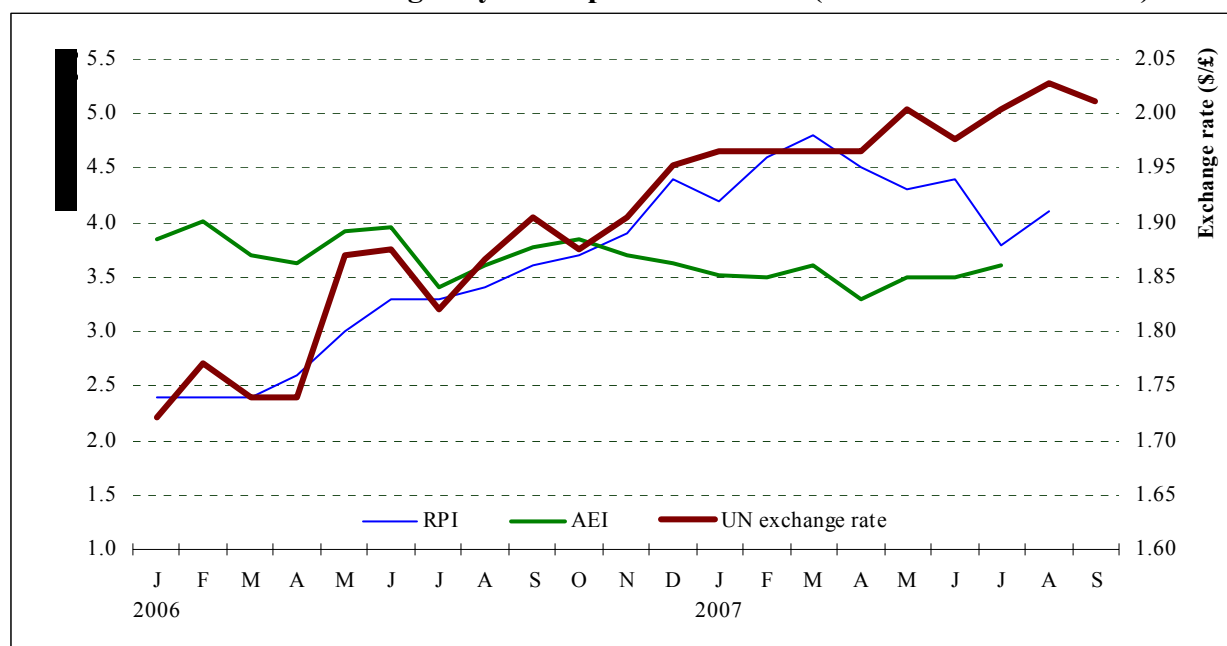
2/ Annual inflation rate - 12-month percentage change \*

3/ United Nations operational exchange rates (1GBP expressed in USD)

▲ The latest month for available figures at the time of this reporting is July for AEI, August for RPI and September for exchange rate

\* Source of AEI and RPI: UK Office for National Statistics (AEI and RPI are updated monthly)

**Chart 1**  
**Movements of the budgetary assumption indicators (June 2004 to June 2007)**



### Status of, and prospects for, the regular programme budget

3 Table 2 below sets out a summary of actual expenditure (not including commitments) by Major Programme for the eight months to August 2007 as well as the forecast out-turn at the end of the year. Direct programmes, consisting of six Major Programmes, incurred expenditure totalling £12,924.5k (which includes costs for personnel, meetings and mission travel) during the period of January to August 2007, representing 63.6% of the approved budget. A further £7,127.5k is forecast to be incurred for the rest of the year, leading to a total of £20,052k in

direct programme costs for the whole year. The year-end balance of the budget in direct programmes is, therefore, forecast at £269.6k, representing 1.3% of the corresponding budget. The costs incurred under indirect programmes, shown as Major Programme 7, amounted to £2,238.9k for the first eight months of 2007, representing 43.8% of the budget, and are expected to reach £4,592.3k by the end of the year, generating estimated savings of £518.1k, equivalent to 10.1% of the corresponding budget. On these forecasts, at the year-end, the regular budget programme is forecast to show an underspend of £787.7k in total, representing 3.1% of the approved budget for 2007. An analysis and explanation of the projected underspend is further detailed by Objects of expenditure in Table 3 and in the ensuing paragraphs.

**Table 2**  
**Status of regular budget appropriations by Major Programme**  
**as at 31 August 2007**  
(expressed in thousand pounds sterling)

2006 Out-turn	Major Programmes	2007 Appropriations	2007 Expenditure			Year-end balance forecast
			Actual (Jan-Aug)	Forecast (Sep-Dec)	Total	
2,962.9	1. Governance, direction and management	3,193.7	1,817.5	1,272.9	3,090.4	103.3
1,094.4	2. Capacity building and TC	1,433.6	814.8	461.0	1,275.8	157.8
3,148.3	3. Resource management	3,361.0	2,190.5	1,149.5	3,340.0	21.0
5,174.6	4. Technical and legal work	5,277.4	3,627.4	1,820.3	5,447.7	-170.3
5,046.3	5. International meetings	5,524.1	3,455.5	1,870.5	5,326.0	198.1
1,517.5	6. External relations and information	1,731.8	1,018.8	553.3	1,572.1	159.7
*	Staff turnover	-200.0	-	-	-	-200.0
<b>18,944.0</b>	<b>Direct programmes total (a)</b>	<b>20,321.6</b>	<b>12,924.5</b>	<b>7,127.5</b>	<b>20,052.0</b>	<b>269.6</b>
4,563.6	7. Indirect programmes (b)	5,110.4	2,238.9	2,353.4	4,592.3	518.1
<b>23,507.6</b>	<b>Total (a+b)</b>	<b>25,432.0</b>	<b>15,163.4</b>	<b>9,480.9</b>	<b>24,644.3</b>	<b>787.7</b>

\* Staff turnover in 2006 was planned at £200,000 and was absorbed in the staff costs outturn

**Table 3**  
**Status of regular budget appropriations by Objects of expenditure**  
**as at 31 August 2007**  
(expressed in thousand pounds sterling)

2006 Out-turn	Objects of expenditure	2007 Appropriations	2007 Expenditure			Year-end balance forecast
			Actual (Jan-Aug)	Forecast (Sep-Dec)	Total	
16,856.1	Staff costs	18,261.5	11,579.8	6,143.2	17,723.0	538.5
880.0	Short-term assistance**	658.8	572.1	381.9	954.0	-295.2
*	Staff turnover	-200.0	-	-	-	-200.0
<b>17,736.1</b>	<b>Personnel costs in net (a)</b>	<b>18,720.3</b>	<b>12,151.9</b>	<b>6,525.1</b>	<b>18,677.0</b>	<b>43.3</b>
<b>990.8</b>	<b>Meetings (b)</b>	<b>1,278.0</b>	<b>628.7</b>	<b>471.4</b>	<b>1,100.1</b>	<b>177.9</b>
<b>217.1</b>	<b>Official missions (c)</b>	<b>323.3</b>	<b>143.9</b>	<b>131.0</b>	<b>274.9</b>	<b>48.4</b>
2,514.5	Headquarters premises	2,880.0	817.5	1,575.0	2,392.5	487.5
1,232.7	Office consumables and services ***	1,412.1	662.5	532.5	1,195.0	217.1
250.0	Capital investment programme	300.0	300.0	-	300.0	-
566.5	Ancillary provision****	518.3	458.9	245.9	704.8	-186.5
4,563.6	<b>Indirect programmes sub-total (d)</b>	<b>5,110.4</b>	<b>2,238.9</b>	<b>2,353.4</b>	<b>4,592.3</b>	<b>518.1</b>
<b>23,507.6</b>	<b>Total (a+b+c+d)</b>	<b>25,432.0</b>	<b>15,163.4</b>	<b>9,480.9</b>	<b>24,644.3</b>	<b>787.7</b>

\* Staff turnover in 2006 was planned at £200,000 and was absorbed in the staff costs outturn

\*\* This includes overtime, temporary assistance and consultancy

\*\*\* Catering costs are included in this heading

\*\*\*\* This comprises costs of after-service medical insurance, recruitment costs, External Audit and cost sharing for jointly financed UN common services

***Direct programme costs – Personnel costs, meetings and mission travel***

4 The Council may recall that, at its previous sessions, it was advised of the status of the ICSC's salary survey for staff in the General Service category. The survey results were promulgated by the ICSC in July 2007, which led to an increase of 1.24% in the salary scale with retroactive effect from November 2006, the base month of the survey. The survey results point to the fact that the Organization's interim adjustments of the General Service salary scale, which were made in the past years in accordance with the ICSC's methodology, have kept pace with the comparable external salaries in London. In addition, the continued movements in RPI and AEI under the current trends, as noted in paragraph 2 above, will call for another interim salary increase, in November of this year, of more than 3% over the revised scale for the General Service staff.

5 With regard to the staff in the Professional and higher categories, an interim cost-of-living adjustment of 1.4% increase was awarded by the ICSC in April 2007 to reflect another 12-month movement of the economic indices in the United Kingdom following the 9.2% increase from April 2006 on the basis of the ICSC's 5-year cycle review of the costs of living in London. The ICSC also promulgated a revised pensionable remuneration scale for the Professional and higher categories, effective from 1 September 2007, which represents an increase of approximately 3.19% on the current scale. The increase has been anticipated and will be covered by a relevant provision made in the budget.

6 From Table 3 above, it will be noted that the total year-end balance of appropriation in respect of staff costs is expected to generate savings of £538.5k as a result of the Secretary-General's prudent vacancy management to negate the knock-on effect of the unbudgeted cost-of-living adjustment increase for Professional staff. The accumulated vacancy amounted to 259 work-months in total (77 in Professional and 182 in General Service staff) for the first eight months of the year. The actual prospective net savings, seen in terms of personnel costs, are expected to be £43.3k by the end of the year, which takes into account the increase in the use of temporary assistance to cover, at least in post, the workload due to vacant posts as well as the staff turnover (lapse factor) deduction, set in the approved budget, of £200k.

7 Major Programme 1 includes the meetings costs for the Assembly (A 25), Council (C 98, C 99 and C/ES.24) and Committees (MSC 83, MEPC 56, LEG 93 and TCC 57). The costs for FAL 34, nine Sub-Committees (BLG 11, DSC 12, FP 51, FSI 15, COMSAR 11, NAV 53, DE 50, SLF 50 and STW 38), LC 29 and diplomatic conferences are reflected in Major Programme 4. The Government of Kenya hosted, with generous financial support, the International Conference on Wreck Removal in Nairobi, which was planned to be held in 2006 but was postponed to May 2007. The forecast expenditure in Table 3 under the heading of Meetings represent, other than the unliquidated obligations associated with the meetings already held, the costs for C/ES.24, C 99, A 25, MSC 83, LEG 93, DSC 12 and LC 29. The Government of the United Kingdom has made arrangements to host, at the Royal Lancaster Hotel in London, C/ES.24, A 25 and C 99. MSC 83 and LEG 93 meetings are to be held in Copenhagen and Panama City, respectively, during October 2007 with generous financial supports from the Governments of Denmark and Panama, respectively. Other than the direct interpretation and documentation services in support of the IMO meetings, all logistics and facility costs associated with the relocation of these meetings' venues have been, or will be, borne by the hosting Governments or the Headquarters refurbishment project.

8 Expenditure on official missions is expected to generate a saving of £48.4k, representing 15% of the approved budget for 2007. The saving is mainly attributable to the Organization's continued stringent travel policy: the cost of travel within Europe has been reduced through changes to the class of travel; and forward planning and the use of 30 days advance reservation has reduced costs for business class travel on long haul journeys.

### ***Indirect programme costs***

9 The indirect programme costs comprise expenditure on the Headquarters premises, capital investment and other general operating expenses. Table 3 above shows that the year-end prospective savings in the indirect programmes are mostly coming from the Headquarters premises, which accounts for 94% (£487.5k) of the total savings of £518.1k. The extended period of Headquarters refurbishment is expected to generate some cost savings, notably, in the area of maintenance, security and cleaning services, and also in the costs for office consumables and services, due to the prolonged relocation of the Secretariat to smaller premises.

10 The regular budget provision for capital investment of £300,000 for this year has been transferred, during the first quarter of the year, to the Organization's Headquarters Capital Fund to partly provide funds to meet the Organization's share of the costs in respect of the Headquarters refurbishment. Some overruns are expected in the 'ancillary provision' due to soaring medical costs for retirees and increases in the Organization's share of the costs for jointly-financed UN bodies, especially in the costs of the UN Department of Safety and Security programmes, which were recently expanded.

### **Budgetary transfers**

11 On the basis of the above assessment of the status of the regular budget for 2007, the Secretary-General is pleased to report that the possible need for transfers of any unspent appropriation balance from 2006 to 2007, foreshadowed in the Council's previous sessions, will not be necessary. However, as noted in Tables 2 and 3 above, transfers between Major Programmes and between Objects of expenditure seem to be inevitable. In this context, the Secretary-General seeks the Council's authorization, in accordance with the Organization's Financial Regulations, to make, whenever necessary, timely transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances, as provided for in resolution A.969(24).

### **Forecast of a prospective year-end status of the General Fund**

12 The Council is aware that the Organization's cash flows under the General Fund are entirely dependent on the receipts of assessment contribution from Member States. Table 4 below sets out, in a wider context, the forecast financial position for 2007 and displays the prospective level of accumulated surplus under the General Fund at the year-end. The contribution receipts in respect of the 2007 assessment amounted to £22,289.3k as at 31 August 2007, representing 94.6% of the assessment and thus still leaving the outstanding contribution at £1,278.9k. By the year-end, the arrears are expected to reduce by £760.4k to £518.5k, on the basis of average receipts rate over the last six years of 97.8%. The previous years' arrears, which amounted to £1,888k at the beginning of the year 2007, reduced to £1,364.5k as at 31 August 2007 and are forecast to further reduce to £1,296.2k by the end of the year. The administrative support cost income for 2007 will reach only one third of the target of £300k due to a reduced level of donor programme activities in operation for 2007. Overall, total income for 2007 is projected at £24,955.7k, representing 98.1% of the appropriation. However, as the programme expenditure is expected to be curbed at 96.9% of the appropriation, as noted in paragraph 3 above, a cash surplus of £311.4k is projected for the year. Taking into account forecast levels of arrears both from the current year and from the previous years, the cash available for the period ending 31 December 2007 is forecast at £2,974.7k.

**Table 4**  
**Status of the General Fund for 2007**

2006 Out-turn £'000	Statement	2007 Appropriation £'000	Status for 2007		
			Actual (Jan-Aug)	Forecast (Sep-Dec)	Total £'000
21,889.1	Assessed contribution	23,568.2	22,289.3	760.4	23,049.7
175.0	Transfers from reserves and other Funds	175.0	175.0	0.0	175.0
155.0	TC support cost income	300.0	68.7	41.2	109.9
1,016.8	Reimbursement from the Printing Fund	1,040.2	520.1	520.1	1,040.2
506.7	Interest earnings and miscellaneous income	348.6	414.9	166.0	580.9
<b>23,742.7</b>	<b>Income total (a)</b>	<b>25,432.0</b>	<b>23,467.9</b>	<b>1,487.7</b>	<b>24,955.7</b>
18,944.0	Direct programme costs	20,321.6	12,924.5	7,127.5	20,052.0
4,563.6	Indirect costs including capital investment	5,110.4	2,238.9	2,353.4	4,592.3
<b>23,507.6</b>	<b>Expenditure total (b)</b>	<b>25,432.0</b>	<b>15,163.4</b>	<b>9,480.9</b>	<b>24,644.3</b>
<b>235.1</b>	<b>Surplus income over expenditure (c=a-b)</b>	<b>0.0</b>	<b>8,304.5</b>	<b>-7,993.2</b>	<b>311.4</b>
3,544.5	Accumulated surplus from prior years (d)	2,250.0	3,959.6	0.0	3,959.6
350.0	Less: Transfers to other Funds (e)	0.0	0.0	0.0	0.0
530.0	Outstanding contribution for the year (f)	0.0	1,278.9	-760.4	518.5
<b>3,959.6</b>	<b>Year-end Fund balance (g=c+d-e+f)</b>	<b>2,250.0</b>	<b>13,543.1</b>	<b>-8,753.6</b>	<b>4,789.5</b>
1,358.0	Less: Arrears from previous years (h)	1,144.6	1,364.5	-68.2	1,296.2
530.0	Less: Arrears from the current year (i)	0.0	1,278.9	-760.4	518.5
<b>2,071.6</b>	<b>Cash available at year end (j=g-h-i)</b>	<b>1,105.4</b>	<b>10,899.7</b>	<b>-7,925.0</b>	<b>2,974.7</b>

### Status of other budgetary Funds of the Organization

13 The following paragraphs set out the status of the other budgetary Funds of the Organization, namely, the Printing Fund, the Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund. The paragraphs below provide the key points.

#### *The Printing Fund*

14 As at 31 August 2007, the income generated from the sale of IMO publications amounted to some £5,016.6k, as set out in Table 5, which represents 82.8% of the forecast sales target approved for 2007 of £6,060k. On this prevailing trend, the sales figure is now projected to reach £7,900k by the end of the year. The continued strong demand for the revised 2006 edition of the IMDG Code is the major contributor to the increase and it is expected that the recently published three-volume International Aeronautical and Maritime Search and Rescue (IAMSAR) Manual and the launch of new version of GMDSS Manual later this year will attract further sales. Total income for 2007 is forecast at £8,330k, exceeding the approved target by 31%.

**Table 5**  
**Status of the Printing Fund for 2007**

2006 Out-turn £'000	Statement	2007 Appropriation £'000	Status for 2007		
			Actual (Jan-Aug)	Forecast (Sep-Dec)	Total £'000
7,827.3	Publication sales	6,060.0	5,016.6	2,883.4	7,900.0
217.0	Interest earnings/ miscellaneous income	299.2	284.3	145.7	430.0
<b>8,044.4</b>	<b>Income (a)</b>	<b>6,359.2</b>	<b>5,300.9</b>	<b>3,029.1</b>	<b>8,330.0</b>
763.9	Personnel	1,033.6	483.0	251.4	734.4
36.1	Official missions/promotions	135.0	63.5	38.0	101.5
788.3	Contract-out (printing)	861.0	627.1	364.6	991.7
705.6	Operating expenses	757.0	351.4	390.4	741.8
1,016.8	Reimbursement to the regular budget	1,040.2	520.1	520.1	1,040.2
121.8	Others (Model courses, etc.)	185.0	16.4	117.6	134.0
<b>3,432.5</b>	<b>Expenditure (b)</b>	<b>4,011.8</b>	<b>2,061.5</b>	<b>1,682.1</b>	<b>3,743.6</b>
<b>4,611.9</b>	<b>Net income for the year (c=a-b)</b>	<b>2,347.4</b>	<b>3,239.4</b>	<b>1,347.0</b>	<b>4,586.4</b>
5,097.0	Accumulated surplus-prior years (d)	3,451.0	6,068.9	-	6,068.9
3,640.0	Less: Transfers to other Funds (e)	3,640.0	3,640.0	-	3,640.0
<b>6,068.9</b>	<b>Year-end fund balance (f=c+d-e)</b>	<b>2,158.4</b>	<b>5,668.3</b>	<b>1,347.0</b>	<b>7,015.3</b>

15 The Printing Fund expenditure has been closely monitored and constrained to achieve, wherever possible, maximum economies both in the operations of the editorial, production and marketing services as well as in negotiation with commercial printers. As a result, the 2007 expenditure is forecast at £3,743.6k, generating underspends in budget of £268.2k (6.7%). The increased-income-with-less-expenditure situation has worked favourably to increase the annual net income, which is forecast at £4,586.4k, almost double the amount originally estimated at £2,347.4k. The increase of net annual income will provide more funds to be distributed to the Technical Co-operation Fund in 2008, in accordance with resolution A.986(24), which requires that at least 75% of the in-year surplus should be allocated to the Technical Co-operation Fund. The total Printing Fund balance as at 31 December 2007 is forecast to stand at £7,015.3k, taking into account the 2007 transfers of £3,640k and incorporating the accumulated fund reserves of £6,068.9k from prior years.

### *The Headquarters Capital Fund*

16 Table 6 below shows the forecast status of the Headquarters Capital Fund based on the out-turn as at 31 August 2007. The Assembly, at its twenty-fourth regular session, in resolution A.969(24), approved the transfer of the accumulated surplus of the Printing Fund of £700k, in each year of the biennium 2006-2007, to the Headquarters Capital Fund for continued financing of the capital investment programmes. The Assembly also approved a line item for capital investment of £300k in the regular budget for 2007. The transfers of £1,000k in total were carried out as approved.

17 The Council will recall that the Organization's share of the costs of Phase 1 of the Headquarters refurbishment project amounts to £2,500k under the special<sup>1</sup> cost sharing terms of 90:10 made with the Government of the United Kingdom. The payment will be spread over two biennia, which equates to a contribution by the Organization of £1,250k for this biennium. Also, as approved by the Council, at its ninety-eighth session, the project now includes

<sup>1</sup> The Organization contributes 20% to the cost of normal capital works to the Headquarters Building under the terms of the Lease Agreement with the United Kingdom Government.

Phase 2, which requires the Organization to bear a further £2,100k share of the costs. Accordingly, the capital investment for 2007 has been reassessed and downsized to cater for only key organizational investment needs and to reserve funds to meet the remaining liability of £3,350k due for the forthcoming biennia. By the year-end, the expenditure is forecast at £966k, representing 23% below the budget level with a fund balance at £2,176.4k, of which £1,250k has been ring-fenced for the repayment of the Organization's contribution in 2008 to the host Government. The issue of the future financing of the Organization's liability is detailed in document C/ES.24/6.

**Table 6**  
**Status of the Headquarters Capital Fund for 2007**

2006 Out-turn £'000	Statement	2007 Appropriation £'000	Status for 2007		Total £'000
			Actual (Jan-Aug)	Forecast (Sep-Dec)	
1,250.0	Transfers from other Funds	1,000.0	1,000.0	-	1,000.0
118.9	Interest earnings/ miscellaneous income	45.2	119.1	35.5	154.6
<b>1,368.9</b>	<b>Income (a)</b>	<b>1,045.2</b>	<b>1,119.1</b>	<b>35.5</b>	<b>1,154.6</b>
106.8	Major building repairs	15.0	0.0	-	0.0
625.0	Refurbishment repayment	625.0	625.0	-	625.0
0.0	Major equipment/vehicle/ furniture	50.0	1.4	-	1.4
368.6	Improving information technology	522.4	97.8	228.3	326.1
22.4	SAP implementation/support	50.0	0.0	13.5	13.5
<b>1,122.8</b>	<b>Expenditure (b)</b>	<b>1,262.4</b>	<b>724.2</b>	<b>241.8</b>	<b>966.0</b>
<b>246.1</b>	<b>Net income for the year (c=a-b)</b>	<b>-217.2</b>	<b>394.8</b>	<b>-206.2</b>	<b>188.6</b>
1,741.7	Accumulated surplus- prior years (d)	1,040.9	1,987.8	-	1,987.8
<b>1,987.8</b>	<b>Year-end fund balance (e=c+d)</b>	<b>823.7</b>	<b>2,382.6</b>	<b>-206.2</b>	<b>2,176.4</b>

### *The Termination Benefit Fund*

18 Table 7 below displays the status of the Termination Benefit Fund as at 31 August 2007 and shows that the expenditure during the first eight months has remained within the approved budget for 2007 but the forecast expenditure by the year end of £201k will result in a shortfall of £58.9k compared with the approved budget of £142.1k for 2007. The actual level of expenditure on separation and retirement from service in the last year was lower than the original estimates which were based on the staff age profile, due to the relocation of staff in key positions beyond the retirement age to ensure the smooth running of the Secretariat during the relocation period. In this context, the Council approved, at its ninety-seventh session, the transfer to 2007 of any uncommitted balance in 2006, in accordance with the Organization's Financial Regulations. The Secretary-General will continue to monitor the separation and retirement position and carry out the transfer of appropriate amounts, as and when necessary.



**Table 7**  
**Status of the Termination Benefit Fund for 2007**

2006 Out-turn £'000	Statement	2007 Appropriation £'000	Status for 2007		Total £'000
			Actual (Jan-Aug)	Forecast (Sep-Dec)	
300.0	Transfers from other Funds	300.0	300.0	-	300.0
31.0	Interest earnings/ miscellaneous income	18.4	30.2	8.7	38.9
<b>331.0</b>	<b>Income (a)</b>	<b>318.4</b>	<b>330.2</b>	<b>8.7</b>	<b>338.9</b>
331.2	Repatriation and termination indemnity	97.1	69.7	100.3	170.0
43.3	Replacement of long-term sick leave	45.0	22.1	8.9	31.0
<b>374.5</b>	<b>Expenditure (b)</b>	<b>142.1</b>	<b>91.8</b>	<b>109.2</b>	<b>201.0</b>
<b>-43.5</b>	<b>Net income for the year (c=a-b)</b>	<b>176.3</b>	<b>238.4</b>	<b>-100.5</b>	<b>137.9</b>
535.2	Accumulated surplus- prior years (d)	412.6	491.7	-	491.7
<b>491.7</b>	<b>Year-end fund balance (e=c+d)</b>	<b>588.9</b>	<b>730.1</b>	<b>-100.5</b>	<b>629.6</b>

19 As there is no replenishment currently planned from other sources this year, the year-end balance of the Fund, including the accumulated surplus, will be £629.6k, which is far less than the funds required to meet the Organization's liabilities to be disclosed in compliance with the International Public Sector Accounting Standards (IPSAS) being introduced by 2010 across the UN Common System. Under IPSAS, contingent funds should be built up to meet the liabilities on unused annual leave; repatriation benefits and after-service health insurance (ASHI) costs. The liability on repatriation and accrued annual leave alone was estimated at £3.2m as at 31 December 2006 (re C 98/5(b), paragraph 25 of notes to the account). The ASHI liability is currently being assessed but can broadly be estimated at far more than £10m even as a minimum level. To address this emerging issue in a timely manner with a longer-term view, the Secretary-General has included some recommendations in his revised budget proposal for the 2008-2009 biennium (document C/ES.24/6).

### *The Training and Development Fund*

20 Following the launch of the new Staff Performance Appraisal System early this year, staff members have clearer understanding of their requirements in developing their skills, for which the Human Resources Services are closely assessing available training opportunities. However, much of the actual training is going to take place next year, especially in connection with the preparation for and implementation of IPSAS. The year-end balance of the Fund is forecast to stand at £286.6k, which is displayed in Table 8 below.

**Table 8**  
**Status of the Training and Development Fund for 2007**

2006 Out-turn £'000	Statement	2007 Appropriation £'000	Status for 2007		Total £'000
			Actual (Jan-Aug)	Forecast (Sep-Dec)	
115.0	Transfers from other Funds	65.0	65.0	-	65.0
8.7	Interest earnings/ miscellaneous income	5.5	10.6	3.4	14.0
<b>123.7</b>	<b>Income (a)</b>	<b>70.5</b>	<b>75.6</b>	<b>3.4</b>	<b>79.0</b>
2.8	Human resource management	30.0	5.0	5.0	10.0
0.0	Financial and budgetary management	25.0	0.5	1.0	1.5
<b>10.9</b>	<b>Induction programme for translators</b>	<b>11.0</b>	<b>10.8</b>	<b>0.2</b>	<b>11.0</b>
<b>13.7</b>	<b>Expenditure (b)</b>	<b>66.0</b>	<b>5.5</b>	<b>6.2</b>	<b>22.5</b>
<b>110.0</b>	<b>Net income for the year (c=a-b)</b>	<b>4.5</b>	<b>70.1</b>	<b>-2.8</b>	<b>56.5</b>
120.1	Accumulated surplus- prior years (d)	115.0	230.1	-	230.1
<b>230.1</b>	<b>Year-end fund balance (e=c+d)</b>	<b>119.5</b>	<b>300.2</b>	<b>-2.8</b>	<b>286.6</b>

### *The Technical Co-operation Fund*

21 It will be noted from Table 9 that the forecast expenditure of £2,319.5k for 2007 is at a slightly lower level than the actual out-turn in 2006, although the planned budget has been set at a much higher level of £3,793.7k. This is because a majority of the Integrated Technical Co-operation Programmes (ITCP) financed from the Fund has not secured relevant matching donor funds and in-kind support to implement the activities. The year-end balance of the Fund is forecast at £3,405.7k, representing a 13% increase over the 2006 year-end figure.

**Table 9**  
**Status of the Technical Co-operation Fund for 2007**

2006 Out-turn £'000	Statement	2007 Budget £'000	Status for 2007		Total £'000
			Actual (Jan-Aug)	Forecast (Sep-Dec)	
2,400.0	Transfers from other Funds	2,400.0	2,400.0	-	2,400.0
314.9	Interest earnings/ miscellaneous income	126.6	211.0	109.0	320.0
<b>2,714.9</b>	<b>Income (a)</b>	<b>2,526.6</b>	<b>2,611.0</b>	<b>109.0</b>	<b>2,720.0</b>
573.0	Project personnel	842.8	197.9	566.8	764.7
384.9	Official missions	979.6	165.8	108.0	273.8
1,011.2	Group training and fellowship	1,386.1	131.3	793.6	924.8
42.0	Sub-contracts	297.7	0.0	200.3	200.3
122.5	Equipment/publications	227.6	31.1	104.7	135.8
233.2	Sundry	59.8	4.6	15.5	20.1
<b>2,366.8</b>	<b>Expenditure (b)</b>	<b>3,793.7</b>	<b>530.6</b>	<b>1,788.9</b>	<b>2,319.5</b>
<b>348.1</b>	<b>Net income for the year (c=a-b)</b>	<b>-1,267.1</b>	<b>2,080.4</b>	<b>-1,679.9</b>	<b>400.5</b>
2,657.1	Accumulated surplus- prior years (d)	3,005.2	3,005.2	-	3,005.2
<b>3,005.2</b>	<b>Year-end fund balance (e=c+d)</b>	<b>1,738.1</b>	<b>5,085.6</b>	<b>-1,679.9</b>	<b>3,405.7</b>

\*The expenditure budget for 2007 is based on the Programme Implementation Documents (PIDs) formulated and revised by 31 August 2007.

### **Status of extra-budgetary programmes**

22 Since donor programmes are affecting the financial delivery of the programmes in the regular budget and the Technical Co-operation Fund, as noted in paragraphs 12 and 21 above, the Council may wish to note the status of extra-budgetary programmes, which is presented in the following paragraphs.

23 Table 10 below shows that the financial delivery of extra-budgetary programmes<sup>2</sup> amounts to US\$3,570.9k as at 31 August 2007 and is forecast to reach US\$7,721.3k by the end of the year, representing 43% of the plan figure for 2007 and 95% of the out-turn level shown in 2006.

<sup>2</sup> Funds provided by the Governments of Denmark, Kenya, Panama, Turkey and the United Kingdom in connection with the Headquarters refurbishment project are excluded under the extra-budgetary programmes.

**Table 10**  
**Status of extra-budgetary programmes for 2007**

2006 Out-turn US\$'000	Statement	2007 Plan US\$'000	Status for 2007		Total US\$'000
			Actual (Jan-Aug)	Forecast (Sep-Dec)	
12,949.0	Remittances	6,850.0	3,744.4	2,200.0	5,944.4
791.9	Interest earnings/ miscellaneous income	800.0	456.4	182.6	639.0
<b>13,740.9</b>	<b>Income (a)</b>	<b>7,650.0</b>	<b>4,200.8</b>	<b>2,382.6</b>	<b>6,583.4</b>
3,196.2	Project personnel	4,963.8	1,823.5	2,159.6	3,983.1
1,036.0	Official missions	2,487.7	412.7	488.8	901.5
2,272.7	Group training and fellowship	3,127.4	864.6	1,023.9	1,888.5
1,107.1	Sub-contracts	4,521.1	38.3	45.4	83.7
122.4	Equipment/publications	1,473.4	265.3	314.3	579.6
88.1	Sundry	452.2	29.8	35.3	65.1
302.8	Support costs	782.3	136.7	83.1	219.8
<b>8,125.3</b>	<b>Expenditure (b)</b>	<b>17,807.9</b>	<b>3,570.9</b>	<b>4,150.4</b>	<b>7,721.3</b>
<b>5,615.6</b>	<b>Net income for the year (c=a-b)</b>	<b>-10,157.9</b>	<b>629.9</b>	<b>-1,767.9</b>	<b>-1,138.0</b>
6,302.1	Accumulated surplus- prior years (d)	11,917.7	11,917.7	-	11,917.7
<b>11,917.7</b>	<b>Year-end fund balance (e=c+d)</b>	<b>1,759.8</b>	<b>12,547.6</b>	<b>-1,767.9</b>	<b>10,779.7</b>

\*The expenditure plan for 2007 is based on the Programme Implementation Documents (PIDs) formulated and revised by 31 August 2007.

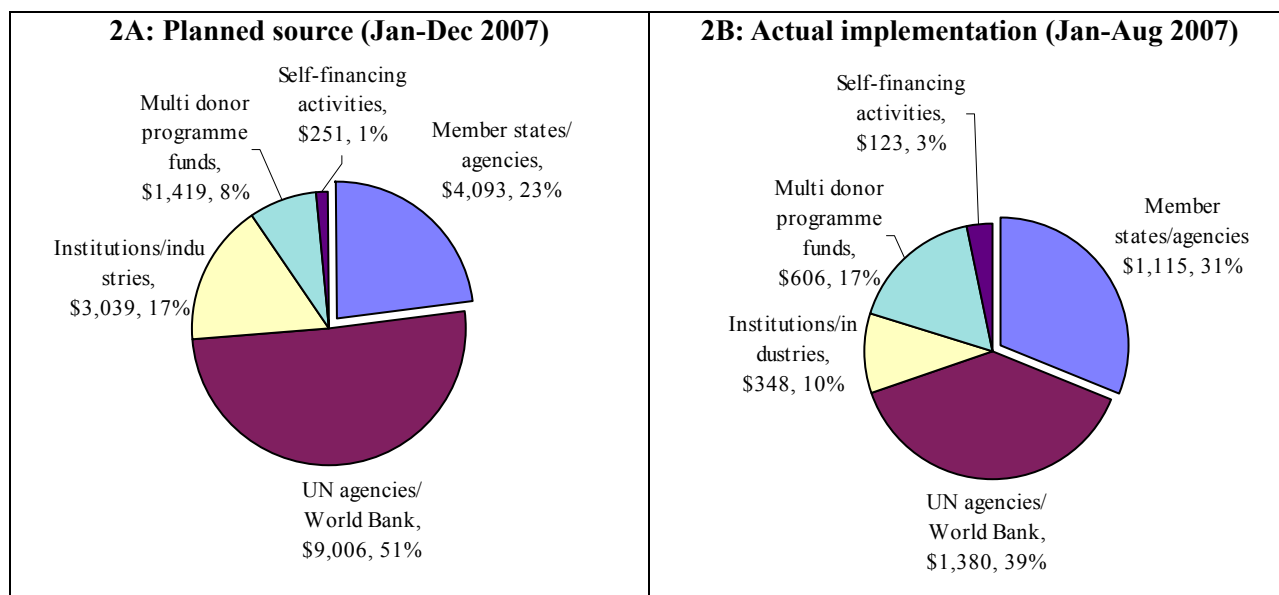
24 As can be seen in Chart 2A, more than half (US\$9,006k) of the financing of extra-budgetary programmes for 2007 is planned to come from other UN agencies (UNDP, UNEP, UNIDO, GEF and UNOPS) and the World Bank. Member States and their aid agencies<sup>3</sup> account for 23% (US\$4,093k) of the planned funding of 2007 programmes, followed by institutions/industries<sup>4</sup> including the EC, accounting for 17% (US\$3,039k). Multi-donor programme funds, which include the International Maritime Security Trust Fund, Marine Pollution Response Fund, Tsunami Relief Fund, Seafarers Memorial Fund and Model Course Development Fund, account for 8% (US\$1,419k) and self-financing activities<sup>5</sup> for 1% (US\$251k). Chart 2B, on the other hand, shows the composition of actual consumption of funds to implement programmes by the end of August and the actual out-turn compared with the plan is shown at Chart 3.

<sup>3</sup> These include Canada, Côte d'Ivoire, Egypt, France, Germany, Japan, the Republic of Korea, the Netherlands, Norway/NORAD, Oman, Sweden/SIDA, Thailand, the United Kingdom and the United States.

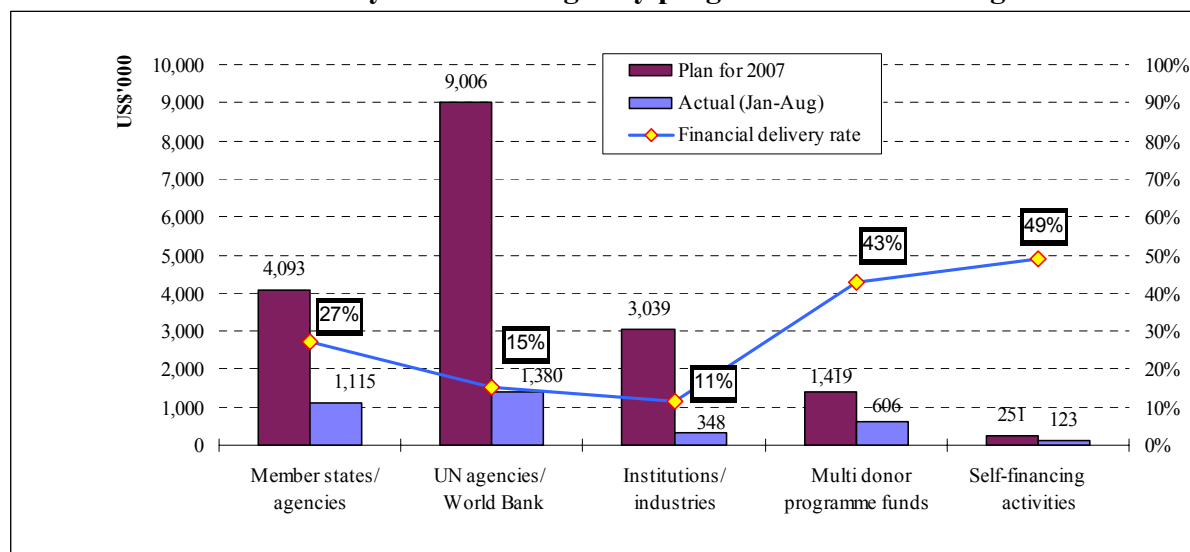
<sup>4</sup> These include BP Shipping, ITWA, IACS, IPIECA and the Union of Greek Shipowners.

<sup>5</sup> Voluntary Member State Audit and GESAMP Ballastwater.

**Chart 2**  
**Sources of extra-budgetary programmes for 2007**



**Chart 3**  
**Financial delivery of extra-budgetary programmes as at 31 August 2007**



25 The Council may wish to note two extra-budgetary projects recently launched: the Marine Electronic Highway Project (MEH) and the GloBallast Partnership Project (GBP). The MEH was launched in the last quarter of 2006 with four-year project life and total project value of US\$6.86 million assigned to IMO, mainly financed by the GEF/World Bank. In addition, the GEF/World Bank has also agreed to grant US\$1.44 million to Indonesia for the procurement of equipment for a differential global positioning system (DGPS) station and automatic ship identification (AIS) stations, as well as tidal instruments and an ocean data buoy. The GBP aims to build partnerships to assist developing countries to reduce the transfer of harmful aquatic organisms in ships' ballast water. The total share of the grant from the UNDP/GEF amounts to US\$5.6 million for the five-year period commencing September this year. The in-kind support to be received from the participating Governments GEF/UNDP is estimated at US\$17 million.

26 During the second half of this year, a new donor fund has been established by the Secretary-General as a “Research and Development Fund” to finance the comprehensive research and development work in respect of the Organization’s programme activities as governed by the relevant organs of IMO. One of the recent requirements, as approved by MEPC 56, is to support a study, by the informal Cross Government/Industry Scientific Group of Experts, to evaluate the effects of the different fuel options proposed under the revision of MARPOL Annex VI. The initial financial base of the Fund has been built up with the remaining funds in the previously called “Onassis Fund” of US\$20,200. Pledges received from Member States and NGOs<sup>6</sup> towards the Fund amounted to US\$34,800 as at 31 August 2007.

### **Action requested of the Council**

27 The Council is invited to:

- .1 note the Secretary-General’s review of the external pay and price factors (paragraph 2; Table 1 and Chart 1);
- .2 note the forecast out-turn level of the regular budget expenditure for 2007, which is assessed to be kept within the approved appropriation for 2007 (paragraphs 3 to 10 and Tables 2 and 3);
- .3 authorize the Secretary-General to make, as and when necessary, timely transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances, in accordance with the Organization’s Financial Regulations (paragraph 11);
- .4 note the forecast level of the year-end cash surplus of the General Fund (paragraph 12 and Table 4);
- .5 welcome the higher-than-expected revenue in the Printing Fund for 2007 and the consequential improvement of the in-year surplus available for transfers for 2008, as mandated by the Assembly (paragraphs 14 and 15 and Table 5);
- .6 note the expenditure status of the Headquarters Capital Fund and its forecast year-end fund balance (paragraphs 16 and 17 and Table 6);
- .7 note the forecast expenditure level for 2007 in the Termination Benefit Fund and the Secretary-General’s plan to carry out the approved transfers as and when necessary (paragraphs 18 and 19 and Table 7);
- .8 note the forecast year-end status for 2007 of the Training and Development Fund (paragraph 20 and Table 8);
- .9 note the forecast year-end status for 2007 of the Technical Co-operation Fund (paragraph 21 and Table 9); and
- .10 note the status of extra-budgetary programmes for 2007 and the establishment of a Research and Development Fund (paragraphs 22 to 26; Table 10 and Charts 2 and 3).

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<sup>6</sup> These include Japan, Norway, Sweden, the United Kingdom, INTERTANKO, OCIMF and IPIECA.