COUNCIL – 96th session

C 96/SR.1
19 June 2006
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SUMMARY RECORD OF THE FIRST MEETING

held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR on Monday, 19 June 2006 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 96/INF.1.

N.B. Corrections to the summary record should be submitted in writing, preferably on a copy of the summary record, to the Conference Division, IMO Secretariat, 4 Albert Embankment, London SE1 7SR not later than 27 October 2006.

Corrections to all summary records of the session will be issued in a consolidated corrigendum.

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OPENING OF THE SESSION

The CHAIRMAN declared open the ninety-sixth session of the Council and extended a warm welcome to all Members.

INVITATION TO NON-MEMBERS OF THE COUNCIL TO ATTEND THE SESSION

The CHAIRMAN said that, in accordance with Article 20 of the IMO Convention and rule 4 of the Council's Rules of Procedure, a number of Members of the Organization had expressed a wish to participate in the session, namely Angola, Antigua and Barbuda, Austria, Barbados, Belize, Benin, Congo, Costa Rica, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Democratic Republic of the Congo, Ecuador, Gambia, Ghana, Honduras, Hungary, Islamic Republic of Iran, Jamaica, Jordan, Lebanon, Liberia, Marshall Islands, Mauritius, Monaco, Morocco, Mozambique, Myanmar, New Zealand, Nigeria, Pakistan, Papua New Guinea, Peru, Poland, Saint Vincent and the Grenadines, Senegal, Syrian Arab Republic, Ukraine, Uruguay, Vanuatu, Venezuela and Yemen. One Associate Member, the Faroe Islands, also wished to participate. A representative of the Cook Islands was also present.

He suggested that the representatives of those countries should be invited to attend the session as observers.

It was so decided.

AGENDA ITEM 1 – ADOPTION OF THE AGENDA (C 96/1/Rev.1 and C 96/1/1)

The SECRETARY-GENERAL recalled that the Council had, at its ninety-third session, adopted the "Guidelines on the organization and method of work of the Council" (Circular letter No.2601) so that its work could be conducted in an efficient and effective manner, and had instructed the Secretariat to apply strictly the rules concerning deadlines for the submission of documents. The Secretariat had endeavoured to comply with those guidelines, but had had to apply the general exemption in the case of the documents resulting from the fifty-sixth session of the Technical Co-operation Committee, which had met only the previous week.

To mark the last session of the Council to be held at headquarters before the refurbishment, he invited Members to a reception, jointly hosted by Sweden and the United Kingdom of Great Britain and Northern Ireland, to be held that day at 5.30 p.m. A presentation on the Global Integrated Shipping Information System (GISIS) would take place the following day at 5.45 p.m.

The CHAIRMAN invited the Council to adopt the agenda contained in document C 96/1/Rev.1.

With respect to agenda item 14(d), "Relations with non-governmental organizations", he further invited the Council to convene a small group to screen the new applications for consultative status that had been submitted. The Council might also wish to request the group to reconsider the application previously submitted by the International Association of Airport and Seaport Police (IAASP), in the light of the recommendation of the MSC. He proposed that the group should be composed of members of the following delegations: Argentina, China, Egypt, Italy, the Philippines, Spain and the United States, and that Mr. Olimbo of the Italian delegation should chair the group.

It was so decided.

AGENDA ITEM 2 – REPORT OF THE SECRETARY-GENERAL ON CREDENTIALS (C 96/2)

The SECRETARY-GENERAL reported that credentials had not yet been received from all delegations and invited representatives who had not yet submitted their credentials to do so as soon as possible.

AGENDA ITEM 3 – RESOURCE MANAGEMENT:

(a) PERSONNEL MATTERS, INCLUDING AMENDMENTS, IF ANY, TO THE STAFF REGULATIONS AND THE STAFF RULES (C 96/3(a); C 96/3(a)/1; C 96/3(a)/2 and Add.1; and C 96/3(a)/3)

The SECRETARY-GENERAL, beginning with document C 96/3(a) relating to changes in the pay and benefits of staff members under the United Nations common system rules, recalled that the conditions of service for IMO staff were determined by the International Civil Service Commission (ICSC) and the United Nations General Assembly.

At its twenty-third extraordinary session, he had informed the Council of the ICSC's recommendation that the General Assembly should consolidate several classes of post adjustment into the base salary scale for staff in the Professional and higher categories. That consolidation, neutral in income terms, should have been implemented on 1 January 2006, and would have resulted in an increase of 2.49 per cent of the base salaries. However, the General Assembly had decided to postpone a decision on the matter until its session in 2006 and the new recommended salary scale would therefore enter into force on 1 January 2007.

At its regular session in December 2005, the General Assembly had approved a new scale of staff assessment for staff in the Professional and higher categories, the implementation of which lowered gross salaries but had no impact on net salaries. The resulting new salary scale, effective from 1 January 2006, was shown in annex 2 of document C 96/3(a).

As reported in document C 96/3(a)/1, the ICSC place-to-place survey, which had been conducted in London in September 2005 for the purpose of reassessing the level of the post adjustment through cost comparison between the duty station and the duty station at the base of the system, namely New York, had found that the cost of living in London was overall 1.84 per cent more expensive than in New York. The Administrative Committee on Post Adjustment Questions had therefore recommended a post adjustment index for September 2005 of 165.71 (i.e. 1.84% higher than the New York post adjustment for that month), effectively representing an 8.8 per cent increase in salaries for London as of September 2005. The ICSC had approved the recommendation and decided that the new index should take effect from 1 April 2006.

Although the increase was significant, the Council should note that it was below that which might have been expected had the United Kingdom price and earnings indices been applied over the 5-year period since the previous place-to-place survey in 2000. During that period, salary increases based on cost-of-living adjustments determined by the ICSC had totalled less than 1 per cent for staff in the Professional and higher categories. The budgetary implications of implementing the new post adjustment index were described in document C 96/3(e) and would be addressed under agenda item 3(e).

The General Service salary survey would take place in November 2006. Although the results of the survey would not be known until the spring session of the ICSC in 2007, any new salary scale would enter into force retroactively from 1 November 2006. In the meantime, and in accordance with the ICSC methodology, the interim adjustment mechanism to the General Service salary scale would be suspended.

Turning to other matters, he recalled that he had reported to the Council at previous sessions that the Organization's insurers were no longer willing to provide insurance cover for acts of nuclear, biological and chemical terrorism. The Organization had therefore been self-insured for those particular risks. Its insurance brokers had presented a proposal, outlined in document C 96/3(e), which would cover that liability to some extent. He suggested that any discussion of the topic should be postponed until the Council considered agenda item 3(e).

As reported in document C 96/3(a)/2, following the retirement of Mr. Jones at the end of 2005, he had appointed Mr. A. Winbow to the post of Director, Administrative Division on 1 January 2006. On the same date, Mr. J. Espinoza Ferrey had been appointed to the post of Head, Policy and Planning Unit in his Office, left vacant by Mr. Winbow, and Mr. Min Kyung-Rae had been appointed to the vacant post of Deputy Director, Sub-Division for Implementation and Co-ordination, Maritime Safety Division. His reorganization, in 2004, of the Legal Affairs and External Relations Division had created new challenges, and he had therefore made one promotion in that Division to the D.1 level. The resulting additional costs would be contained within the approved appropriation.

Turning to the recruitment of women by IMO, he noted that on 31 March 2006 the relevant percentage of the total was 35.1. In grades P.1 to P.5 it was 39.3 per cent, while at the D.1 level and above it was 16.7 per cent. He urged governments to nominate well-qualified female candidates for vacant posts whenever possible.

The annex to document C 96/3(a)/2 showed the geographical distribution of posts on 31 March 2006. It would be noted that in the 97 posts in the Professional and higher categories that were subject to geographical distribution and were filled, the staff come from 53 Member States of the Organization. As requested by the Council at its ninety-fourth session, the annex also contained data pertaining to IMO staff members in the field, which further demonstrated the Organization's geographical diversity. Since the document had been produced, the total number of Professional staff in the field, both locally engaged and internationally recruited, had increased to 22, of which 11 were male and 11 were female, coming from 13 countries.

Turning to document C 96/3(a)/2/Add.1, he said that, since his report to the Assembly in document A 24/20(a), he had made further changes to the Sub-Division for Pollution Prevention in the Marine Environment Division in order to rationalize responsibilities and enhance IMO's ability to address emerging developments. As a result, the Sub-Division now comprised three sections: the Oil Pollution Prevention and Implementation Section, dealing with MARPOL Annexes I, IV and V, the Condition Assessment Scheme, ship recycling and port reception facilities; the Chemical and Air Pollution Prevention Section, dealing with MARPOL Annexes II, III and VI and the IBC, BCH and NOx Technical Codes; and the Marine Biosafety Section (formerly Harmful Aquatic Organisms Section), dealing with the BWM and AFS Conventions. Since the heads of the three sections would remain at their previous grades, there would be no budgetary implications.

Document C 96/3(a)/3 reported on amendments to the Staff Regulations and Staff Rules. At its fifty-ninth session, the United Nations General Assembly had adopted Resolution 59/268 endorsing the implementation of paternity leave throughout the United Nations common system. He had accordingly approved the revisions to the existing Staff Rules shown in annex 1 of the document. The amendments were provisional pending the Council's approval of a change to Staff Regulation 6.2, as shown in paragraph 3 of the document, to include the words "or paternity".

Turning to the issue of prevention and detection of fraud, he said that the need for a review of governance and oversight mechanisms had been the subject of consideration by the United Nations General Assembly at its fifty-seventh and fifty-ninth sessions, following recommendations by the Board of Auditors. As a result, the General Assembly had adopted Resolution 60/1, which called for a comprehensive review of governance arrangements and independent external evaluation of the auditing and oversight system of the United Nations, including the specialized agencies. IMO would participate fully in that exercise in order to ensure that the review was successful and its outcome would be communicated to the Council at its next session. In order to ensure that the Organization's resources were used solely for the effective and efficient delivery of its mandate, he had established a policy on prevention and detection of fraud and had accordingly approved a new Staff Rule, entitled "Co-operation in the investigation of misconduct", the text of which was shown in annex 2. In order to reinforce the new policy, the Council was invited to approve new Staff Regulation 10.3, as shown in paragraph 6 of document C 96/3(a)/3, which defined the conception of misconduct. The policy had now been issued and distributed to all staff members.

The CHAIRMAN invited the Council to note the information set out in documents C 96/3(a), C 96/3(a)/1, C 96/3(a)/2 and its addendum and C 96/3(a)/3, as well as that provided orally by the Secretary-General, and to approve the revised text of Staff Regulation 6.2 to include the words "or paternity" and the introduction of Staff Regulation 10.3 defining the notion of "misconduct".

It was so decided.

The CHAIRMAN said that consideration of agenda item 3(b) would be deferred until later that morning, when the representative of the External Auditor would be in attendance to present the latter's report.

(c) REPORT ON INVESTMENTS (C 96/3(c))

The SECRETARY-GENERAL said that Article IX of the IMO Financial Regulations required him periodically to inform the Council about the investment of monies not needed for immediate requirements. Document C 96/3(c) reported on such investments during 2005. The annex to the document showed the monthly amounts that were available for investment. The interest earned on the General Fund monies in 2005 amounted to £305,922, which was significantly higher than the previous year's earnings of £171,600. That was due to the increase in surplus funds available for investments during the year under review, in the course of which the average interest rate for short-term deposits had been 1.49 per cent compared with 0.50 per cent in 2004. The yield from investments of the balance of the Printing Fund amounted to £160,109, which, because of the increased Printing Fund surplus, was higher than the previous year's yield of £84,256.

He confirmed that the Organization's investments of monies not immediately needed were made only with major clearing banks and not on a speculative basis.

The CHAIRMAN invited the Council to note the information set out in document C 96/3(c) as well as that provided orally by the Secretary-General.

It was so decided.

(d) REPORT ON ARREARS OF CONTRIBUTIONS AND OF ADVANCES TO THE WORKING CAPITAL FUND AND ON THE IMPLEMENTATION OF ARTICLE 56 OF THE IMO CONVENTION (C 96/3(d) and Add.1-3)

The SECRETARY-GENERAL said that document C 96/3(d) reported on the situation on 28 February 2006 with respect to the payment of contributions, while the three addenda updated the position at monthly intervals thereafter. The collective efforts made thus far continued to be successful and the collection rate had shown considerable improvement. The position on 31 May 2006 was that 69.95 per cent of the 2006 assessment had been received, which was higher than that on the corresponding date in 2005, when it stood at 64.96 per cent. The details with respect to individual Member States and the latest status of Council Members' contributions, as at 31 May 2006, were provided in annexes 1 and 2, respectively, to document C 96/3(d)/Add.3. Since that date Costa Rica, which had fallen under Article 56 since the twenty-fourth session of the Assembly, had fully settled its 2005 assessment and part of its assessment for 2006 and China and the Marshall Islands had partly settled their assessments for 2006. Denmark, Jordan and Oman had fully cleared their 2006 financial obligations. Thus by 19 June 2006, 73.94 per cent of the 2006 assessment had been received. Out of the 40 Council Members, 29 Members have paid in full, six Members had made a partial payment and five Members had not paid.

Turning to the implementation of Article 56 of the IMO Convention, he recalled that the Council, at its ninety-third session, had reiterated its position that rule 56*bis* should be retained in its present form. At the same session the Council had recalled that, under Article 56 of the IMO Convention, subject to the grant of a waiver, a Member with dues outstanding for more than one year would lose the right to vote not only in subsequent sessions of the Assembly and the Council but also in the Maritime Safety Committee, the Legal Committee, the Marine Environment Protection Committee, the Technical Co-operation Committee and the Facilitation Committee, and had decided that the terms of Article 56 should be strictly enforced between Assembly years. The adoption by the previous Assembly of resolution A.967(24) reiterated the Council's commitment.

Member States that fell foul of that rule had been informed of their status and the loss of their right to vote, pending payment of any outstanding contributions. He considered that the Council's firm stance on the matter was showing positive results.

Annex 1 to document C 96/3(d)/Add.3 provided a status report as at 31 May 2006, showing those Member States that still came into conflict with the provision of Article 56. Of the two Member States granted waivers at the twenty-fourth session of the Assembly, Bolivia and Peru had cleared all of their arrears up to 2005 and had made partial payments in respect of their assessments for 2006. Of the 14 Members that had lost their voting rights, Solomon Islands had fully cleared its arrears for 1998 and partly cleared its arrears for 1999. Cambodia had fully cleared its arrears for 2004 and partly cleared its arrears for 2005. Uruguay had fully cleared its arrears for 2002-2004. Of the Members that had been affected by the provision of Article 56 since the twenty-fourth session of the Assembly, Dominica, Lebanon, Lithuania and Suriname had fully settled their arrears for 2005. Furthermore, Suriname has fully settled its contribution for 2006 and Lithuania had made partial payment in respect of its assessment for 2006. Annex 1 showed the total outstanding balance as at 31 May 2006.

At the twenty-second extraordinary session of the Council, an update had been provided on the position taken by the United Nations concerning the amounts due from the former Socialist Federal Republic of Yugoslavia. The situation had remained unchanged since then and he would keep the Council updated on any further progress.

In concluding, he acknowledged the efforts of Members to settle their arrears from previous years and thanked those that had paid their contributions in full in accordance with the Organization's Financial Regulations and Rules, thus setting a commendable standard for all others to follow.

Mr. DAVIDSON (Australia) congratulated the Secretary-General for the excellent results achieved. Nevertheless, he considered that the Council had an obligation to set the standard, and was disappointed to note that the aggregate of payments by Council Members amounted to only 77 per cent. He strongly encouraged all Members to promptly pay their dues.

Mr. GASC (France) commended the presentation by the Secretary-General but concurred with Australia. He reiterated the need for Member States to fulfil their obligations in a timely manner, and encouraged those Members experiencing payment difficulties to approach the Organization in order to find a solution.

Mr. OLIMBO (Italy) expressed his government's satisfaction with the current percentage of paid contributions, which represented a considerable improvement on previous years. He hoped, nonetheless, that that figure would reach 100 per cent as soon as possible. Drawing attention to the cases of Peru and Bolivia, which had been granted waivers of Article 56 of the IMO Convention at the previous session of the Assembly on the basis of their pledges to settle their arrears, he expressed the wish that all Member States granted such waivers would clear their arrears urgently, thus allowing the Organization adequate scope to pursue its activities.

Ms. DHINGRA (India) concurred that all Council Members must make their payments on time. Despite the arrears that it had incurred, her government pledged to make all payments on time in future.

The CHAIRMAN invited the Council to note the information set out in document C 96/3(d) and its addenda, as well as that provided orally by the Secretary-General, to note in particular the continuing arrears of the Member States identified in the documents under review, and to urge all Member States and Council Members, in particular, to remit all outstanding contributions.

It was so decided.

(e) BUDGET CONSIDERATIONS FOR 2006 (C 96/3(e); C 96/3(e)/1 and Corr.1)

The SECRETARY-GENERAL said that document C 96/3(e) provided a preliminary overview of the Organization's budget prospects for the first year of the twenty-fourth financial period, which had been updated in document C 96/3(e)/1 on the basis of the out-turn for the current year's first four months.

He recalled that in December 2005 the Assembly, by resolution A.969(24), had adopted the Organization's work programme and budget for the 2006-2007 biennium. The approved appropriation for 2006 amounted to £24,298,300, representing 2.6 per cent above the appropriation for 2005. Taking into account estimated miscellaneous income and approved transfers, the level of corresponding assessment had been set at £22,419,100, representing 92.3 per cent of the appropriation for 2006. The document under consideration reported on the review of the 2006 programme budget appropriation and assessment figures, taking into account current pay and price factors as well as prospective changes in the United Nations common system of pay and allowances.

The programme budget for the current biennium had been formulated on the assumptions that the average earnings in the United Kingdom economy would increase by 4.2 per cent and that the United Kingdom retail price index would increase by 2.0 per cent in 2006. An exchange rate of 1.75 had been used to translate dollar-based expenditure estimates into pounds sterling. As displayed in table 1 and chart 1 in document C 96/3(e)/1, the current economic indicators in the United Kingdom were moving towards those budgetary assumptions, and he had therefore concluded that in general the Organization was moving forward in accordance with the assumptions made in 2005.

As he had already reported to the Council under agenda item 3(a), the United Nations Administrative Committee on Post Adjustment Questions (ACPAQ) had reviewed the results of the 2005 place-to-place survey for London Professional staff in February 2006 and had recommended an increase in the London post adjustment index of 8.8 per cent, and that had been approved by the ICSC at its March 2006 session.

The prospective cost increase resulting from the cost-of-living survey had not been reflected in the approved budget for 2006-2007 due to uncertainty as to the level of cost increase. The financial implication of the 8.8 per cent increase, noted in document C 96/3(e), was an increase of approximately £497,000 in the Organization's salary bill for 2006. However, in real terms, the application of the new post-adjustment multiplier, published by the ICSC in April 2006, represented an annual payroll increase of 9.21 per cent for IMO Professional staff, adding £558,000 to the staff costs for 2006.

As already mentioned under agenda item 3(a), the ICSC planned to carry out a similar cost-of-living survey for the General Service category during November 2006. In accordance with the salary survey methodology, any adjustment to the General Service salary scale for 2006 would take effect from November 2006, but as the outcome would not be discussed until the ICSC's next spring session, the cost would be met from the 2007 appropriation, without any impact on the 2006 appropriation.

Turning to document C 96/3(e)/1, he noted the detailed review of the expenditure status of the Organization on the basis of the out-turn level for the first four months of the year. He noted in particular table 2 of document C 96/3(e)/1, which showed that the direct costs under the six major programmes for 2006 would exceed the approved appropriation for 2006 by £440,600, representing 2.3 per cent over the annual provision. The indirect programme costs, including the running costs of the headquarters building, might generate some savings estimated at £175,000, which represented 3.5 per cent below the indirect programme budget. Variations in the anticipated expenditure out-turn for the year, as compared with the budget provision under the main three cost groups, namely personnel, meetings and indirect programme costs, were described in detail in paragraphs 7 to 12.

Drawing attention to the year-end status of the regular budget for 2006, which was forecast to exceed the appropriation by £265,600, he observed that the increase in Professional staff costs could not be fully absorbed within the approved appropriation. In that context, as he had intimated in submitting his budget proposals to the Council at its twenty-third extraordinary session held in November 2005, he might seek a supplementary appropriation, should the need arise. In the meantime, in accordance with the Organization's Financial Regulations, he sought the Council's approval for the transfers between major programmes, as displayed in table 4 of document C 96/3(e)/1, needed to address certain new and changing responsibilities of the Organization which required the reallocation of resources between programmes for 2006.

Secondly, since the projected savings of £70,800 on meetings were to be transferred to 2007 for the diplomatic conference on wreck removal, the supplementary estimates for 2006 would further increase by that amount to £336,400. With regard to the meetings programme, he noted that the refurbishment of the headquarters premises necessitated that six meetings in 2006 be held away from IMO headquarters. The Government of Turkey had kindly offered to host the eighty-second session of the Maritime Safety Committee, and the United Kingdom Government had offered to host the ninety-seventh session of the Council in November in London. Four of the six meetings would take place in London, and two would take place abroad: the October session of the Legal Committee at UNESCO Headquarters in Paris and, as mentioned, the next session of the Maritime Safety Committee in November-December 2006 in Istanbul. Any additional costs arising from the relocation of the four meetings to be held in London would be met from the refurbishment project budget.

Thirdly, regarding indirect programme costs, in respect of the insurance cover for nuclear, biological and chemical terrorism acts, referred to as NBC cover, a premium of $ 60,000 had been negotiated for the period 1 April to 31 December 2006. Since the cost of that cover had not been accounted for in the 2006-2007 budget, every possible effort would be made to absorb the additional cost within the annual approved appropriation for 2006.

Lastly, any savings in indirect programme costs would vary depending on the scope and level of the incidental costs associated with the temporary relocation of the Secretariat.

In that context, he would continue, together with his senior colleagues, to take stringent economic measures with respect to controllable expenditure to generate offsetting savings where possible. He would make a firm reassessment of the annual expenditure in the latter part of 2006 and present a supplementary budget proposal to the November session of the Council. He wished to assure the Council that an increase in assessment would not be his preferred option for financing any prospective supplementary budget for the current year and for 2007; he would aim to make up any shortfall from the accumulated reserves in the General Fund of the Organization.

In that regard, table 5 in document C 96/3(e)/1 showed that accumulated cash surpluses of approximately £1 million in the General Fund might be achieved at the end of 2006. As that projection was based on receipt of 97 per cent of assessed contributions – the average rate of the last three bienniums – he very much hoped that the current year-end status would improve through full and timely payment of assessed contributions in accordance with the Organization's Financial Regulations.

Turning to the Organization's Funds, he recalled that, due to the insufficiency of cash in the General Fund at the end of both 2003 and 2004, actual transfers to the Headquarters Capital Fund and the Training and Development Fund had been limited to a total of £325,000 during the 2004-2005 biennium, still leaving overdue transfers totalling £675,000, as compared with the £1 million approved by the Assembly at its twenty-third session. He was now considering making those overdue transfers, but only to the extent that that did not affect the level of cash necessary to meet the supplementary estimates for 2006 and 2007, which reflected the increase in Professional staff costs. He would report further on that to the Council's November session.

The status of the Organization's other Funds was displayed in tables 6 to 10 of document C 96/3(e)/1. Each table displayed a summary income and expenditure statement and compared the planned income and expenditure with the forecast year-end position for each of the Organization's Funds, taking account of prior years' balances.

Firstly, concerning the Printing Fund, the target for publication sales of £6 million in 2006 was expected to be achievable, in view of the £1.96 million sales achieved for the first four months and the anticipated sales of the new editions of the IMDG Code and the ISPS Code, which were scheduled for launch in the latter part of 2006. Net profit for the year was projected to be at a similar level to 2005, *i.e.* £2.82 million, and the accumulated surplus in the Printing Fund was forecast to reach £4.28 million at the end of 2006, representing a 16 per cent decline from 2005, mainly due to the transfer of £3.64 million in 2006 approved by the Assembly in resolution A.969(24).

Second, with regard to the Headquarters Capital Fund, the main expenditure component was the Organization's liability of £625,000 for 2006 in respect of the refurbishment of the headquarters premises. With allowance made for some unexpected costs in respect of relocation, overall expenditure was forecast to be just within the budget level, but the year-end fund balance would be strengthened, as could be seen in table 7 of document C 96/3(e)/1, if an overdue transfer of £300,000 was carried out from the General Fund.

Third, the Termination Benefit Fund would suffer a 21 per cent decline in the year-end balance of the Fund when compared with the year-end position in 2005. He was, therefore, planning to reassess the status of the Fund in the last quarter of the year and would make an appropriate recommendation to the Council for the long-term rebuilding of the Fund up to the required level of approximately £3.1 million, to meet the Organization's future anticipated liabilities.

Fourth, as reported to the Council earlier, it was envisaged that the performance management system and the induction programme for translators would be launched Organization-wide, as planned, in the latter part of 2006. It was projected that the balance of the Training and Development Fund would be strengthened by the approved transfer from the Printing Fund of £65,000 for 2006 and the prospective transfer of £50,000 from the General Fund surplus.

Finally, the Technical Co-operation Fund, which supported around 50 per cent of the Organization's Integrated Technical Co-operation Programme (ITCP), was forecast to deliver some £3.16 million in expenditure and the year-end fund balance was forecast to be approximately £2.01 million, representing a 24 per cent decline from the 2005 year-end balance.

The Organization's work programme for 2006 was heavy and its delivery within the approved appropriation would be especially challenging, taking into account the expenditure pressures arising from the reported Professional salary increase, the temporary relocation of the Secretariat, and the meeting programme. Steps had been taken to explore the scope for offsetting savings, as far as practicable, so that the adverse effects on the delivery of the approved work programmes might be minimized. He would provide an updated report, including the forecast expenditure out-turn for 2006, to the Council at its November session.

He drew attention to the forecast status of the Organization's funds given in the Executive Summary Funds Overview, in annex 2 of document C 96/3(e)/1, which contained a small error, namely an element of double-counting in the Printing Fund column: the £21,700 forecast expenditure on equipment, furniture and vehicles had also been included in the £392,300 for other operational expenses and miscellaneous costs. That had no material effect, as the totals in bold were correct and consistent with the figures in the relevant tables in the body of the document.

The CHAIRMAN, in the absence of comments, invited the Council to note the information set out in documents C 96/3(e) and C 96/3(e)/1, and that provided orally by the Secretary-General. He invited the Council in particular to note the Secretary-General's updated review and provisional conclusion in respect of changes in the external pay and price factors, and the financial implication and the actual impact on Professional staff costs of the ICSC's revised cost-of-living adjustment multiplier, which had been applied from April 2006; to welcome the Secretary-General's commitment to seek to exert the maximum economy of operations in order to generate savings to partly absorb the additional costs driven by the cost-of-living adjustment for Professional staff; to note the financial provision required for the insurance cover for nuclear, biological and chemical (NBC) terrorism acts provided under the prevailing Staff Compensation Policy set out in Appendix D of the Organization's Staff Regulations and Staff Rules; to note that additional costs arising from the relocation of meetings, over and above the provision in the regular budget, would be financed either from the refurbishment project budget or by the governments offering to host the meetings; to note the forecast out-turn level of the regular budget expenditure for 2006, the Secretary-General's preliminary review of the prospective level of supplementary provisions for 2006 and his plan to submit the supplementary budget proposal to the Council's November session, based on a further assessment of the Organization's financial situation, and that an increase in assessments for financing any prospective supplementary budget would not be his preferred option; to endorse the proposed transfers between major programmes and authorize the Secretary-General, in accordance with the Organization's Financial Regulations and Financial Rules, to make necessary transfers between major programmes to the extent that balances would be available to cover or reduce deficits in programme appropriation balances; to note the forecast level of the year-end cash surplus of the General Fund and the dependency of that forecast on assessed contribution receipts and, accordingly, urge Member States to remit their financial contributions promptly in accordance with the Organization's Financial Regulations and Rules; to note the Secretary-General's intention to carry out the transfers partly unrealized in 2004 and 2005 from the cash surplus of the General Fund to the Headquarters Capital Fund and the Training and Development Fund, but only to the extent that it did not affect the level of cash necessary to meet the supplementary estimates for 2007, which reflected the increase in Professional staff costs; and to note the status of the Organization's various Funds and projected year-end balances and reserves.

It was so decided.

Mr. CHRYSOSTOMOU (Cyprus) said that his delegation had noted with interest that while a further appropriation in the current biennium was not the Secretary-General's preferred option, the possibility could not be ruled out. So far as Cyprus was concerned, no changes could be made to the budget for 2006. With regard to its 2007 budget, the planning stage would terminate the following week, making any additional expenditure impossible.

Mr. TOBEY (United States) said that the same situation as that described by the representative of Cyprus applied to the United States.

The CHAIRMAN said that the points raised by the representatives of Cyprus and the United States had been noted.

AGENDA ITEM 4 – PROGRAMME FOR CHANGE:

(a) ORGANIZATIONAL REFORMS (C 96/4(a) and C 96/4(a)/1)

The SECRETARY-GENERAL said that the Organization was facing a challenging two years, and therefore the focus should be on ensuring its continued smooth running throughout the refurbishment of the building, the relocation of the Secretariat and the use of alternative meeting venues. At the same time, it was necessary to look at ways to improve IMO's operation in the future, and document C 96/4(a) provided background information on two relevant areas.

Firstly, the Organization's human resources and payroll systems needed to be replaced. The existing payroll system was very old and heavily customized, and had become increasingly unstable and difficult to maintain. It was also separate from the enterprise resource planning (ERP) system – feeding in only summary information through an interface – which made genuine analysis of staff costs more difficult and time consuming. The option of doing nothing was no longer feasible as the system would become increasingly unstable over time.

Such a situation had been foreshadowed in document C 89/11/Add.2, in which it had been suggested that the replacement of the payroll system should be seen as a logical second phase of the ERP implementation process. At the time, a decision had been postponed, because it was understood that implementation of the ERP would be a major task in itself, there was a risk that to do so would overstretch IMO's resources, and it had not been known at the time that UNICEF was implementing the SAP HR and payroll module. As IMO also used the United Nations common system for personnel matters, it had been felt that it would be more cost-effective and prudent to learn from the experience of others. UNICEF had completed its implementation in early 2005, and SAP had then produced a module based on United Nations common system requirements.

In 2005, in the Joint Inspection Unit (JIU) report on United Nations payroll systems, it had been proposed that the United Nations system should move to a common payroll system as a precursor to a common ERP, and that, as a first step, larger organizations should act as payroll 'bureau' for smaller organizations.

The current payroll system was a key system, through which some 80 per cent of the regular budget was paid. It would need to be replaced within the next two bienniums. There were two available options. IMO could either accept the JIU's recommendation and seek an appropriate larger United Nations organization to operate its payroll on a bureau basis, or it could implement SAP HR and payroll modules tailored to its own specifications. Both options had advantages and disadvantages. While a partnership with another United Nations organization would reduce the initial implementation costs, it was questionable whether other organizations' systems would meet IMO's specific requirements. A recent comparison of the respective human resources functionalities used by UNICEF and the World Food Programme (WFP), which was also in the common system, had shown that less than 50 per cent of the common system was, in fact, common to the two organizations. On the other hand, while a tailor-made SAP HR module based on the experiences of others might have a higher initial implementation cost, it would ensure that the final solution matched IMO's specific needs and would provide an opportunity to improve its processes. Those and other considerations, such as security of confidential data and geographical proximity of potential partner organizations, would need to be considered before any conclusion could be reached.

During the coming year, the Organization's requirements would be identified in greater detail and they could then be used to assess the appropriate route. It might be advisable to take advantage of the opportunity not only to replace the existing payroll system, but also to refine all human resources procedures, for example by linking the work to that on performance management, and to the improvement of management information on staff costs. He would keep the Council informed on developments.

The second area was the proposed change in the accounting standards applied by the United Nations system as a whole. Document C 96/4(a) gave details of the proposed change from the United Nations System Accounting Standards (UNSAS) to International Public Sector Accounting Standards (IPSAS). It had been becoming increasingly clear that UNSAS could not be maintained and that the rules used for financial reporting within the United Nations system were becoming out of step with generally accepted accounting practices. It had also become clear that there were benefits to be gained in terms of transparency, consistency and accountability from applying a set of accounting standards set by an independent, non-United Nations body. Such a change would have a significant impact on the format and, to some extent, the content of IMO's financial accounts. IPSAS represented a 'full accruals' set of accounting standards which required a clearer matching of expenditure to results. For example, it would be necessary to show fixed assets and stock on the Organization's balance sheet, rather than in the notes to the accounts. IPSAS were also more detailed and prescriptive to encourage consistency in application across the United Nations system. Whereas UNSAS occupied some 14 pages, IPSAS ran to over 700, including guidance notes. The aim was to provide a clearer picture of the Organization's overall financial health to facilitate comparisons with similar organizations.

He fully supported, in principle, the move to IPSAS, which would ultimately require a change in the Organization's Financial Regulations and Rules, and therefore approval by the Assembly, through the Council. Detailed proposals for such changes would be submitted in due course. In the meantime, the Council would be kept informed of the efforts to compile a more detailed analysis of the impact of such a change. He drew the Council's attention to the indicative timetable and associated costs shown in paragraphs 19 to 22. System-wide, the United Nations High-Level Committee on Management had set a deadline of January 2010 for all organizations to be IPSAS-compliant, and with the Council's consent and the Assembly's approval, it should be possible to meet that target date.

Mr. ASLAM HAYAT (observer, Pakistan) said that while he supported the proposed move towards IPSAS, it was not clear whether the introduction of a non-United Nations body into the auditing process would increase overall expenditure and also whether there would be a link between performance standards and any such expenditure.

Mr. HILL (observer, Liberia) said that while the Organization would undoubtedly benefit from productive changes, he was extremely concerned about the indicative system costs and the financial implications of any associated training.

The SECRETARY-GENERAL, responding to the delegate of Pakistan, said that the two points he had raised would be addressed in the more detailed reports he would be presenting to the Council from time to time. The performance management system that was about to be introduced would entail certain costs. Turning to the comments of the delegate of Liberia, he reiterated that IMO’s current system would become increasingly unstable over time and that it would therefore be necessary to introduce certain changes to pre-empt such a situation arising. The move to another system would inevitably incur considerable costs; however, the United Nations High-Level Committee on Management had set a deadline of January 2010 and he would continue to provide the Council with information that should answer any questions its members might have in the meantime. It would be for the Council and, eventually, the Assembly to decide whether any of the proposals were acceptable.

The SECRETARY-GENERAL, introducing document C 96/4(a)/1, said that at the end of 2005 an IMO Publishing Board had been established within the Secretariat to strengthen the Organization’s forward planning. The membership of the Board was drawn from the divisions of the Organization that generated material suitable for publication, for example the Maritime Safety Division (MSD) and the Marine Environment Division (MED). It worked informally and was co-ordinated by the Head of the Publishing Service. The decision taken at the twenty-fourth Assembly to dedicate a fixed percentage of the Printing Fund surplus specifically to technical co-operation had underlined the need for a more stable long-term platform for that funding. The Board aimed to enhance medium- to long-term publications planning which, in turn, would improve the forecasting of Printing Fund revenues and expenditures.

Mr. DAVIDSON (Australia) welcomed the establishment of the Publishing Board as it would strengthen overall governance within the Organization. Given that the anticipated adverse impact of electronic printing and the availability of electronic material on the Printing Fund had proved to be less dramatic than had originally been anticipated, he would encourage the Secretariat and Publishing Board to investigate urgently the feasibility of making all documents available electronically over time. It was important for IMO to be able to disseminate its work to its constituency and the electronic medium represented the way of the future.

Mr. GASC (France) expressed the hope that the requirement for texts to be produced in all the Organization’s working languages would be observed by the Publishing Board.

The CHAIRMAN invited the Council to note the information set out in document C 96/4(a) and that provided orally by the Secretary-General, and to look forward to receiving further progress reports on the issues outlined.

He further invited the Council to note and welcome the information set out in document C 96/4(a)/1 and that provided orally by the Secretary-General.

Finally, he invited the Council to draw the attention of the Publishing Board to developments in electronic publishing and to the need to take account of the Organization’s official languages when planning future publications.

It was so decided.

AGENDA ITEM 3 – RESOURCE MANAGEMENT (continued):

(b) ACCOUNTS AND AUDIT: FINANCIAL ACCOUNTS FOR THE SECOND CALENDAR YEAR OF THE TWENTY-THIRD FINANCIAL PERIOD (C 96/3(b) and Rev.1 (English only), C 96/3(b)/1; C 94/3(b) and Add.1; resolutions A.942(23) and A.968(24))

The SECRETARY-GENERAL welcomed the representatives of the External Auditor, the Comptroller and Auditor General of India. When the audit team had visited him in March 2006 at the start of the audit, he had been confident that the Comptroller and Auditor General's advice to the Council and Assembly would be in accordance with the highest traditions and principles of professionalism, transparency and impartiality in the best interests of the Organization, and he had expressed the hope that their joint efforts would seal the relationship as one of co-operative partnership. Therefore, as the Organization's chief executive and accounting officer, he was pleased to report that the External Auditor had been able to issue an unqualified report for the second year of the Organization's twenty-third financial period 2004-2005.

Before the representative of the External Auditor addressed the Council, he wished to make some general comments. In terms of budget management, the Organization had realized an excess of income over expenditure of slightly over £1.3 million before prior-year savings and transfers, with £1.1 million being attributable to savings by direct programmes. Savings generated through careful management of posts, his own organizational reforms and a reduction in planned expenditure in areas such as the Headquarters Capital Fund in anticipation of the relocation and the refurbishment of the building had contributed to the sound performance reported. The Printing Fund had had an outstanding year with publications sales of £6.5 million, their highest level ever.

The record 99 per cent collection rate of assessed contributions had also improved the Organization's cash position. Accumulated arrears had reached their lowest level at £1.5 million, 62 per cent less than their one-time highest level of £4.8 million in 1999.

However, some caution was necessary when welcoming the Organization's performance, in order to avoid creating misperceptions and building false expectations. The gain on foreign exchange of some £370,000 had contributed to the positive position, although, clearly, that was not a stable source of income. The actual saving in monetary terms was closer to £770,000. Whilst undeniably 2005 had been a positive year for the Organization's financial position, the impact of the recent significant increase in Professional salaries, the possibility of less positive or adverse exchange rate movements during the year and the major expenditure on the refurbishment should all be taken into account. Although the Organization remained in good financial health, it could continue in that state, particularly with regard to its cash position, only if Member States paid their assessed contributions on time.

The reforms and reorganization had resulted in a reallocation of resources within the Secretariat. In addition, unavoidable increases in expenditure in some areas had been addressed by seeking corresponding savings elsewhere. With that in mind, he sought the Council's formal approval, in paragraph 7 of document C 96/3(b) for year-end budgetary transfers between major programmes in accordance with the Organization's Financial Regulations and Financial Rules, and the Assembly's authorization subject to agreement by the Council.

Commenting briefly on the External Auditor's report, he said that it maintained the tendency to focus on identifying improvements in management and operations, but in a way that went beyond numbers and the accounts themselves. That reflected the improved transparency and clarity of IMO's accounting process, and he welcomed the recommendations to continue to strengthen the financial control environment.

Finally, he noted that in accordance with prior commitments to the Council, careful note had been taken of the recommendations made by the External Auditor in previous audit reports, and it would be appreciated if the serious effort that had been made to ensure effective implementation of, and full compliance with, the agreed recommendations was duly recognized. He was ready to respond to any questions from the Council and urged it to note that no differences existed between the Comptroller and the Auditor General and the Secretariat.

Mrs. KAPAVARAPU (representing the External Auditor) said that it was a privilege to present, on behalf of the Comptroller and Auditor General of India, the Audit Opinion and Report on the Organization's accounts for the second calendar year of the twenty-third financial period 2004-2005. She was pleased to report that the statements had presented fairly, in all material aspects, the financial position of IMO as at 31 December 2006. The financial statements had been completed in accordance with the Organization's stated accounting policies.

She thanked the Secretary-General for summarizing the financial position as reflected in the Audit Report and wished to draw the Council's attention to the following points. The Audit Report represented the culmination of the audit by the External Auditor who had expressed satisfaction with the Secretariat's responses. The progress made in the implementation of SAP had been recognized. Only a few line items, such as expenditure on conferences and meetings, did not flow directly from General Ledger accounts. The accounting of unliquidated obligations still largely remained a manual exercise outside SAP. It had been observed that the policies and procedures for areas such as change management and password security had not been clearly documented. The Secretariat had given an assurance that those issues would be addressed during 2006. It had also agreed to produce a user manual for the SAP accounts module and an accounts manual and had stated that work would continue during 2006 to develop and consolidate the available materials. The lack of a budget manual had been pointed out and the Secretariat had agreed to prepare one by 2007.

The Staff Regulations and Staff Rules did not distinguish between separation, to the mutual benefit of staff member and Organization, and termination by the Organization. They laid down the entitlements and relevant conditions for separation payment. The auditors had recommended that the Staff Regulations and Staff Rules should invariably be followed in all staff matters and that practices that were not currently included in the Staff Regulations should be followed only after they had been incorporated therein. The Secretariat had agreed to review the existing practice of listing education grants as assets under the Statement of Assets, Liabilities and Reserves and Fund Balances since they were in the nature of an expenditure rather than a receivable.

Travel advances under the General Fund had shown a closing balance of £121,744 at 31 December 2005. However, that included claims from retired employees that were still pending even though travel had been completed. The Secretariat had given an assurance that it would continue its efforts to reduce the outstanding balance during 2006. An additional control had been introduced to ensure that outstanding travel advances were dealt with before retirees left the Organization. Regarding outstanding balances in the Travel Recoverable Clearing Account, the Secretariat had agreed to regularly review the situation.

It had been observed that work had repeatedly been commissioned from a particular firm without recourse to competitive tender. The auditors appreciated the effort that was being made to review contracts and recommended that the Secretariat should take steps to allow for work to be carried out on a single quotation basis to ensure a transparent and fair pricing procedure.

The amount of overpaid United States' tax awaiting reimbursement at the end of the 2005 financial year was £47,388, including amounts from 1998 and 1999. All such outstanding amounts should be vigorously followed up to ensure timely reimbursement. The Organization had been paying the Climate Change Levy and treating it as refundable. Reimbursement by the United Kingdom Foreign and Commonwealth Office should be sought and vigorously pursued.

As promised at the ninety-fourth session of the Council, the interim audit of the first half-yearly accounts for the second year of the twenty-third financial period 2004-2005 had been carried out and the progress made by the Organization had been reviewed. The auditors had been encouraged by the Secretariat's constructive approach as demonstrated by its responses to the recommendations. Member States would continue to be provided with an objective and independent view of the Secretariat's endeavours to introduce the necessary changes in its practices. If requested to do so by the Secretariat, and on receipt of terms of reference, the External Auditor proposed to carry out an interim audit for the first half year accounts for 2006 to facilitate certification of the accounts for the first year of the 2006-2007 biennium, including a review of SAP. The interest shown by the Council and its valuable contribution had been appreciated. The numerous efforts made to enhance accountability and transparency had led to increased confidence in the financial system.

The SECRETARY-GENERAL said that the Organization's senior management had agreed to almost all the recommendations made in the External Auditor's report, and would ensure their implementation as soon as possible. It would encourage the holding of an interim audit for the first half year accounts of 2006, in order to facilitate the certification of accounts for the first year of the biennium.

Mr. OLIMBO (Italy) welcomed the outcome of the external audit. He was pleased to note that action had already begun on implementation of the External Auditor's recommendations, and commended the Secretary-General on his prompt response. His delegation could approve the transmission of the report to the Assembly.

Mr. TOBEY (United States) said that his delegation would like to resolve with the Secretariat any outstanding issues relating to tax reimbursements, in order to preclude them from appearing in any future financial statements.

Mr. HAKGŰDEN (Turkey) congratulated the Secretary-General on the success of his efforts to manage the IMO budget in full compliance with the Organization's Financial Regulations and Financial Rules.

Mr. GITHAE (Kenya), speaking on behalf of the African countries, welcomed the External Auditor's report, and joined in congratulating the Secretary-General on a job well done.

Mr. SADLER (United Kingdom) welcomed the fact that no qualifications were contained in the External Auditor's opinions on the Organization's financial statements for 2005. His delegation concurred with all the actions requested.

Concerning the accumulated liability from the operation of the Contributions Incentive Scheme referred to in paragraph 7.4 of document C 96/3(b)/Rev.1, he said it was very important that the credibility of the scheme be maintained, since it had proved itself effective. He welcomed the Secretary-General's intention to discharge that liability in due course, and looked forward to receiving further information.

The CHAIRMAN invited the Council to note the information set out in documents C 96/3(b), C 96/3(b)/Rev.1 and C 96/3(b)/1, and that provided orally by the Secretary-General and the representative of the External Auditor.

In particular, he invited the Council to note the Secretary-General's financial report and accounts for 2005; to welcome the unqualified opinion of the External Auditor; to note the financial out-turn for 2005 and the achievement of a budgetary surplus of £1,355,315 before prior-year savings and transfers; to welcome with appreciation the achievement of a contribution level of 99.03 per cent; to express its appreciation to the External Auditor; to welcome the Secretary-General's stewardship of the Organization's Funds and his report to the Council; to approve the year-end transfers between major programmes in accordance with financial regulation 4.4 of the Organization's Financial Regulations and Financial Rules; to decide to forward the financial statements, schedules, the Notes to the Accounts and the External Auditor's report to the twenty-fifth regular session of the Assembly, expressing its satisfaction with his unqualified report; and to note the information on the accumulated liability from the operation of the Organization's Contributions Incentive Scheme.

It was so decided.

AGENDA ITEM 4 – PROGRAMME FOR CHANGE (resumed):

(b) HEADQUARTERS BUILDING REFURBISHMENT (C 96/4(b))

The SECRETARY-GENERAL recalled that at its twenty-third extraordinary session the Council had noted the information provided by the United Kingdom and Secretariat on the scope of phase 1 of the planned refurbishment of the headquarters building, and had endorsed the proposals for the meetings programme for the second half of 2006. The Council had also authorized him to make the necessary financial commitments to ensure a cost-effective and efficient schedule of meetings for 2007. As many as possible of the meetings scheduled for 2006 would take place before the move, and in 2007 as many as possible would be moved to the second half of the year, following the return to headquarters. A refurbishment project steering board, chaired by the United Kingdom Government Permanent Representative to IMO and consisting of representatives from the IMO Secretariat, the United Kingdom Government's Department for Transport, project managers and project advisers, met regularly to oversee all aspects of the project, including the temporary relocation. In addition, as stated in paragraph 3 of the document, a senior project board, consisting of representatives from IMO and the Department for Transport, had been set up to provide a high-level overview of all aspects of the planning and delivery of the refurbishment project.

Overall day-to-day responsibility for the management of the relocation project remained with IMO, and within the Secretariat an internal project board and a refurbishment project steering group had been established. The steering group, which included staff representatives from all the divisions and major operational sections of the Secretariat, liaised with and provided advice on all aspects of the project to the refurbishment and relocation managers. Representatives on the steering group had worked hard to provide feedback on the relocation, and a number of issues of importance to staff had been successfully addressed.

Consultants had been engaged to advise on space allocation, to validate the IT strategy, to provide advice on refurbishment and to assist with the relocation. In addition, legal advisers had been engaged to advise on issues relating to the Headquarters Lease Agreement and any other agreements between the host government and IMO that might be necessary, in consultation with the Organization's Legal Affairs and External Relations Division.

Following a competitive tender process in which IMO had participated, a United Kingdom-based company, Overbury, had been appointed to undertake the refurbishment work, and on-site work had begun on the detailed design. The contractors had set up an office for their design team at IMO and a programme of design meetings had begun. No changes were expected to the duration of phase 1.

The Council would recall that at its last extraordinary session it had been advised that the Secretariat would be moving to temporary accommodation at 55 Victoria Street. Circular letter No.2704, issued on 15 March 2006, gave detailed information on the postal and telecommunications arrangements relating to the relocation, which was scheduled to take place during the first two weeks of August 2006.

The relocation involved a large number of concurrent activities. A filing audit had been conducted to ascertain the Secretariat's storage and filing requirements, and allocation of floor space and configuration of desks for the various divisions and sections had been completed. Telephone and IT connections would shortly be installed and tested. A relocation company, Pickfords, had been engaged to move the Secretariat, and work was in hand to finalize arrangements for storage, security and building management. Suitable industrial space had been rented to enable the Organization's publications despatch activities to continue.

Details of meetings scheduled to take place in the latter part of 2006 were listed in the Programme of Meetings (PROG/114) and Circular letter No.2708 provided venue and hotel information for the October meeting of the Legal Committee at UNESCO headquarters in Paris. A full list of locations for the meetings scheduled in 2006 and 2007 was annexed to that document, and details of the November/December session of MSC in Istanbul, Turkey, were provided in Circular letters Nos.2721 and 2722. He had recently visited the United Nations Office in Nairobi, and was pleased to report that the facilities to be made available there in May 2007 for the conference to approve the draft international convention on wreck removal were excellent.

He recalled that, following its decision to pay the Organization's contribution of £2.5 million to the costs of phase 1 of the refurbishment over two bienniums and its approval of a budgetary allocation of £625,000 for each year of the 2006-2007 biennium, the Council had also given provisional approval for a similar allocation in the 2008-2009 biennium. The Council would be invited to consider, during its future discussions on the 2008-2009 budget, the host government's request that the balance of the IMO contributions be paid by 31 March 2008, in order to ensure that the Organization had sufficient funds available to meet that request so early in the biennium.

Paragraph 12 of the document under consideration provided information on the £1.9 million allocation from the refurbishment project budget, intended to cover expenditure related to the Secretariat's temporary relocation during the planned works. The host government had agreed to pay that allocation to the Organization in advance on a quarterly basis, based on expenditure forecasts provided by IMO and agreed by the Department for Transport.

He called for the understanding and co-operation of Members during the period of headquarters building closure, from summer 2006 to summer 2007. He hoped that both delegations and staff would be prepared to accept any disruption or inconvenience that might arise during the refurbishment period, and to regard such acceptance as their contribution to IMO's efforts to create a building that reflected the technological, IT and communications advances of the twenty-first century. Because of the limited facilities available in the temporary accommodation, Members were urged to keep their submissions as short as possible and to accept shortened versions of reports from working groups and the Sub-Committees.

Mr. SADLER (United Kingdom) congratulated the Secretary-General and his staff on their professional and diligent input into phase 1 of the refurbishment project. In particular, he welcomed the decision to secure the services of dedicated project management advisers for the refurbishment and to assist with the relocation.

Mr. PONOMAREV (Russian Federation) asked whether a return to the headquarters building by September 2007 could be guaranteed, and whether any penalties were provided for in the agreement with the contractors for failure to complete the work on time.

Mr. ABDUL MATIN (Bangladesh) thanked the United Kingdom Government for providing 90 per cent of the cost of refurbishment. He proposed that the remaining 10 per cent should come from developed countries.

Mr. ABU MILHA (Saudi Arabia) also expressed appreciation to the United Kingdom Government for its efforts.

Mr. GITHAE (Kenya) said his government had made the necessary budgetary provision for the forthcoming diplomatic conference to be held in Nairobi, and funds would be transferred to the Organization's account as soon as the relevant agreement with the Secretary-General had been concluded.

Mr. CHRYSOSTOMOU (Cyprus) asked whether any provision had been made in the new premises for parking spaces for representatives with permanent missions in London.

Mr. HYUNG-TAEK JUNG (Republic of Korea) joined in thanking the Secretary-General and the United Kingdom Government for their efforts in regard to the refurbishment project.

Mr. SADLER (United Kingdom), replying to the representative of the Russian Federation, said that penalties for late completion had been incorporated in the contract with Overburys, which should mitigate any risks involved.

The SECRETARY-GENERAL, in reply to questions raised, recalled that it had been agreed the previous year that no Member State, whether developed or developing, should be asked to contribute to the refurbishment. He had signed an agreement with the Ministry of Transport of Turkey concerning the meetings to be held in Istanbul, and had also sent a draft agreement to the Government of Kenya with respect to the Nairobi conference. The money to be made available by the Government of Kenya for that conference was £200,000, which was greatly appreciated. He was as yet unable to give an answer on the issue of parking spaces during the relocation. It was expected that the return to the headquarters building would take place in August 2007.

The CHAIRMAN invited the Council to note the information provided in document C 96/4(b) and orally by the Secretary-General and the representative of the United Kingdom. With respect to the financing of the headquarters refurbishment project, he invited the Council to note the host government's request for the balance of the Organization's contribution to be paid by 31 March 2008 and that, during future discussions on the 2008-2009 budget, consideration would have to be given to ensuring that sufficient funds were available to meet that expenditure early in the biennium.

He further invited the Council to thank the Secretary-General and the United Kingdom Government for their efforts in ensuring that the work of the Organization would not be significantly affected by the relocation of the Secretariat, and for their efforts in securing suitable venues for all IMO meetings scheduled during the refurbishment period.

It was so decided.

The meeting rose at 12.35 p.m.