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WORK PROGRAMME AND BUDGET FOR THE TWENTY-FOURTH FINANCIAL PERIOD 2006-2007: DEVELOPMENTS SINCE THE NINETY-FOURTH SESSION OF THE COUNCIL

Level of transfers to the Technical Co-operation Fund from the surplus of the Printing Fund

Draft resolution to replace Assembly resolution A.873(20)

Submitted by Mexico, Argentina, Chile, Nigeria, Portugal, Spain and Venezuela

SUMMARY

Executive summary: This document contains a proposal for a change to the mechanism used to determine the appropriate level of transfers from the surplus of the Printing Fund. The proposal provides the basis for a draft Assembly resolution intended to replace resolution A.873(20)

Action to be taken: Paragraph 4.2

Related document: C 94/D; TC 55/13; resolution A.873(20)

1 Introduction

1.1 As stated in subparagraph 6.4(vi) of document C 94/D, at its ninety-fourth session the Council welcomed the intention of the Mexican delegation to submit proposals to this extraordinary session on a new mechanism for establishing an appropriate level of transfers to the Technical Co-operation Fund from the surplus of the Printing Fund.

1.2 Owing to the broad sympathy expressed for its proposal at the Council's ninety-fourth session, the Mexican delegation invited the other co-sponsors of this document to carry out an exercise which culminated in a draft Assembly resolution intended to replace resolution A.873(20) of 27 November 1997, following a series of discussions.

1.3 This document provides the reasoning that emerged from the dialogue among the co-sponsors, technical annexes supporting the proposal, and a draft resolution to replace that referred to above.

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2 Importance of technical co-operation

2.1 IMO has a long tradition of technical co-operation. It was the first organization in the United Nations system to endorse and establish an official technical co-operation committee. In addition to its long-standing importance to the Organization's objectives, technical co-operation has now taken on a special significance stemming from the Organization's Model Audit Scheme.

2.2 To demonstrate the Organization's commitment to technical co-operation, tables 1 and 2 of annex 1 illustrate the financial aspect of the remarkable increase in work accomplished in this field over the past decade, under the ITCP and the Technical Co-operation Fund respectively. One of the main reasons for this upswing is the level of funding that it has been possible to make available in the past.

2.3 The international community has made clear the importance of technical co-operation through the United Nations Millennium Declaration and Development Goals. Here, we wish to draw attention to the emphasis placed on the special needs of the African continent. The co-sponsors feel it is timely for the Council, and at the appropriate time the Assembly, to endorse the key role of technical co-operation in ensuring the success of those instruments.

2.4 We believe that such endorsement must include the decisions necessary to ensure sufficient and timely funding for the Organization's co-operation activities carried out under the Technical Co-operation Committee programmes in force.

2.5 Likewise, the co-sponsors wish to emphasize that, while acknowledging the financial needs of the Organization's various fiduciary funds, they believe that technical co-operation, and consequently its funding, must continue to be a priority.

2.6 In this respect, as explained below we are concerned at the virtual disappearance of the reserves in the Technical Co-operation Fund, as these have been the Organization's main financial source for such activities.

3 Funding for technical co-operation

3.1 The mechanism for funding the Organization's technical co-operation activities derives from paragraph 2 of resolution A.837(20), in which the Secretary-General is authorized to transfer, at the beginning of each year from 1 January 2000, all surplus funds from the Printing Fund to the Technical Co-operation Fund, unless otherwise directed by the Assembly.

3.2 For the purpose of sustaining the financial resources for co-operation, the co-sponsors consider that there are two substantive matters to be decided: the nature of the authorization and the amount of surplus funding to be transferred.

3.3 Concerning the first, we consider that authorization should not mean that the Secretary-General enjoys full entitlement to transfer resources without specific instructions to do so in the exact manner prescribed by the Assembly.

3.4 As suggested above, the second substantive matter is a subject of very serious concern among the co-sponsors of this document. Table 3 of annex 1 shows a downward trend in the reserves of the Technical Co-operation Fund that constitutes a clear threat to the whole viability

of the ITCP, and thus contradicts the attempts being made to ensure strong support for technical co-operation. This threat to its viability is illustrated in tables 4 and 5 of annex 1.

3.5 The main reason for the decline is the substantial increase in technical co-operation activities, and consequently in the expenditure on them. In addition, a proportion of the Printing Fund surpluses has been used to subsidize other fiduciary funds of the Organization. In this regard we reiterate that unquestionable priority must be accorded to the Technical Co-operation Fund, while recognizing also the needs of the other funds.

3.6 In this situation, it seems to us that endorsement for IMO's technical co-operation activities, and for the support needed to give effect to the Millennium Declaration and Development Goals, necessarily has financial implications.

3.7 We believe that the rationale adopted for the transfer of resources as from the 2008-2009 biennium, or even earlier if possible, must be geared to three urgent objectives: (i) maintaining a guaranteed reasonable level of operations in the ITCP through the transfer of sufficient resources to the Technical Co-operation Fund; (ii) generating reserves that can bolster the Technical Co-operation Fund in the event of a reduction in publication sales affecting the resources of the Printing Fund; (iii) avoiding competition for resources with the Organization's other fiduciary Funds by means of compulsory and concise rules on transfers that give priority to technical co-operation.

3.8 Naturally, those urgent objectives must not hamper the Technical Co-operation Committee in its continual task of creating an effective and efficient funding system that will reduce dependence on the Printing Fund and guarantee the long-term viability of the ITCP through other means.

3.9 From among the various formulas that the co-sponsors have explored, the one that seems to correspond best to these objectives consists in approving an Assembly resolution which, *inter alia*, will incorporate the following four points:

- (i) Instructing the Secretary-General to transfer compulsorily 75 per cent of the net annual surplus of the Printing Fund to the Technical Co-operation Fund;
- (ii) Authorizing the Secretary-General to decide freely, with the Council's guidance, how to deploy the remaining 25 per cent, allowing for the fact that, depending on the circumstances of the Organization, he will accord priority to the Technical Co-operation Fund over the other fiduciary Funds;
- (iii) Instructing the Technical Co-operation Committee to grant priority, through the ITCP, to the transfer of resources to meet technical co-operation needs in the African continent;
- (iv) Requesting the Secretary-General to submit for the consideration of the next session of the Technical Co-operation Committee relevant options for generating the reserves in the Technical Co-operation Fund necessary to enable it to overcome any reduction in transfers arising from insufficient sales of the Organization's publications.

3.10 As table 6 of annex 1 shows, although the proposal for 75 per cent of the annual net surplus is realistic, being based on the current level of transfers from the Printing Fund, and even allows for a modest increase, it is obvious that this will not be sufficient to cover even 20 per cent of the anticipated demand for technical co-operation under the ITCP for the 2008-2009 biennium. Hence the importance of generating reserves and supporting the Committee's efforts to establish effective and efficient long-term funding.

4 Conclusions, and action requested of the Council

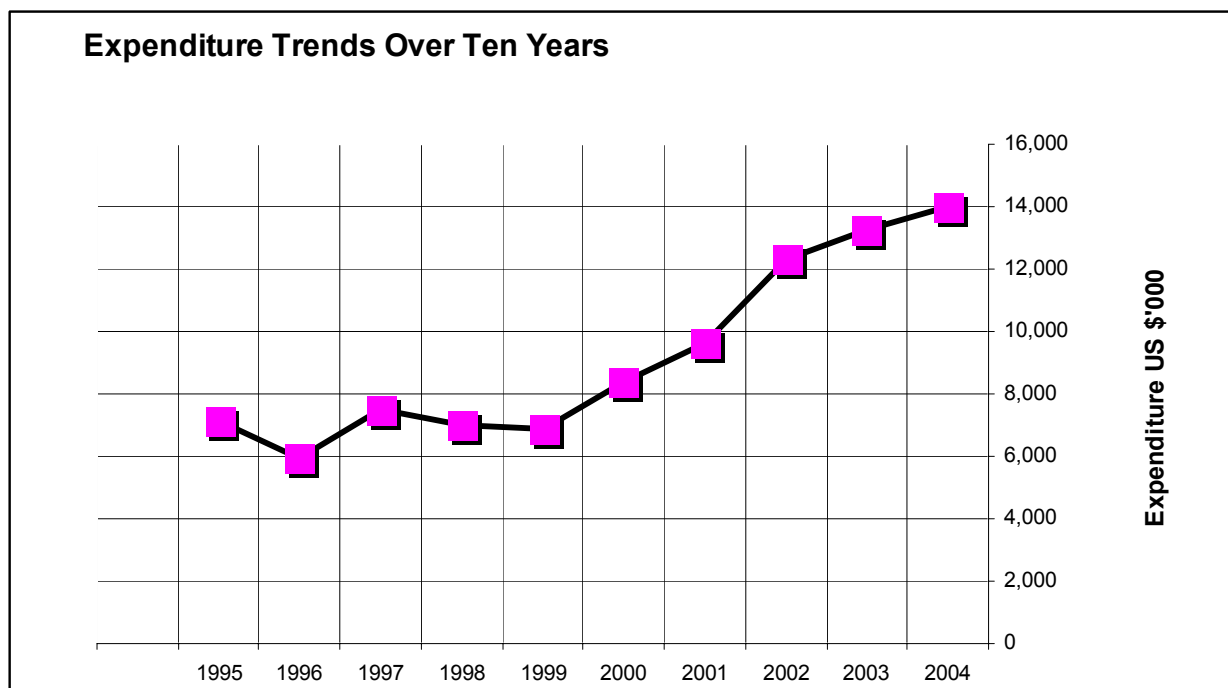
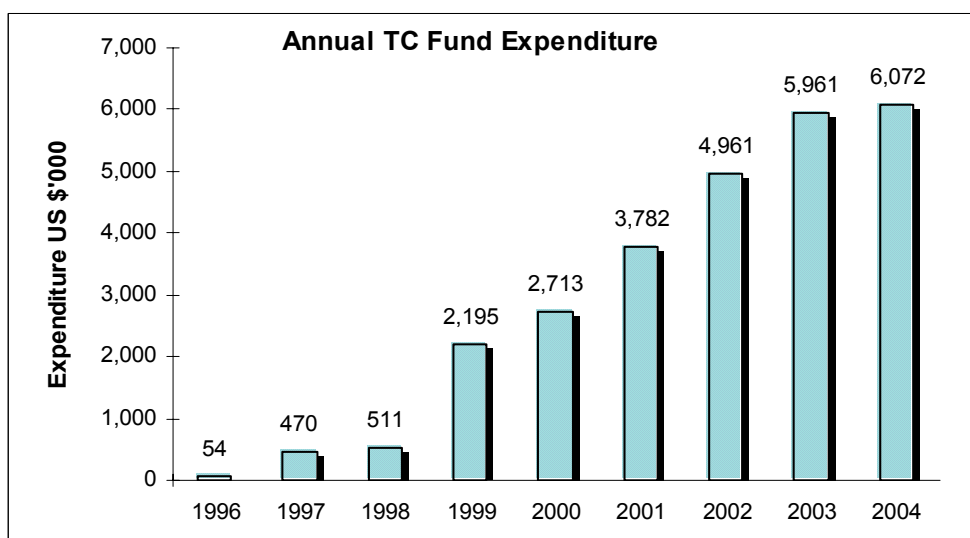
4.1 The co-sponsors of this document call upon all Council Members to adopt a consistent approach towards the decisions relating to the Millennium Declaration and Development Goals and their logical implications for the technical co-operation activities of organizations in the United Nations system such as IMO.

4.2 In the light of the foregoing we invite the Council to consider and approve this request and, having done so, to submit the attached draft resolution to the twenty-fourth session of the Assembly, requesting its approval and the consequent annulment of resolution A.873(20) of 27 November 1997.

4.3 Although this proposal is intended to take effect from the 2008-2009 biennium, we strongly urge the Council to consider the feasibility of introducing it from the 2006-2007 biennium, if possible even increasing the compulsory level of 75 per cent under subparagraph 3.9(i).

ANNEX 1

TECHNICAL FIGURES

TABLE 1 – ITCP EXPENDITURE TRENDS FOR THE PERIOD 1995 TO 2004 – IN US DOLLARS¹TABLE 2 – TC FUND EXPENDITURE FROM ITS INCEPTION IN 1996 TO 2004 – IN US DOLLARS²

¹ Reference document TC 55/3

² Reference document TC 55/3

TABLE 3 – ANNUAL VARIATION IN THE LEVEL OF UN-PROGRAMMED TC FUND RESERVES, INCLUDING PROJECTIONS TO 2009 – IN POUNDS STERLING³

1996-1997	1998-1999	2000-2001	2002-2003	2004-2005 <i>Estimated</i>	2006-2007 <i>Projections</i>	2008-2009 <i>Projections</i>
4,895,483	5,730,805	5,897,286	6,809,743	2,942,024	1,026,618	580,618

TABLE 4 – LONG-TERM PROJECTED FINANCIAL STATUS OF THE TC FUND – IN POUNDS STERLING⁴

Income/allocations	2006-2007	2008-2009
Cash brought forward	2,942,024	1,026,618
Transfers received from the Printing Fund	3,000,000	3,000,000 ⁵
Interest, donations, adjustments	240,000	80,000 ⁶
Total available funds	6,182,024	4,106,618
<i>Allocation to the ITCP</i>	5,155,406	3,526,000 ⁷
TC Fund reserves	1,026,618	580,618

³ Reference document TC 55/3/4
⁴ Reference document TC 55/4/1
⁵ Estimated transfer at same level as for 2006-2007 biennium
⁶ Prudent estimate of interest earned
⁷ Estimated support from TC Fund to ITCP

**TABLE 5 – ESTIMATED FUNDING SHORTFALL IN ITCP FUNDING FOR 2006-2009 –
IN US DOLLARS**

Biennia	Estimated available under TC Fund	ITCP Requirements	Anticipated shortfall⁸
2006-2007	10,905,090 ⁹	15,552,500	4,647,410
2008-2009	7,244,042 ¹⁰	16,174,600 ¹¹	8,930,558
Totals	18,149,132	31,727,100	13,577,968

**TABLE 6 – TRANSFERS TO TC FUND FROM THE NET SURPLUS OF THE PRINTING FUND:
1996-2005 – IN POUNDS STERLING**

	1996-1997	1998-1999	2000-2001	2002-2003	2004-2005¹²	Total
Net surplus (a)	3,704,286	3,816,351	5,788,138	4,125,063	4,821,680	22,255,518
Transfers to TCF (b)	3,500,000	1,000,000	3,000,000	7,300,000	2,000,000	16,800,000
% of transfers (b/a)	94%	26%	52%	177%	41%	75%

⁸ To be secured from external donors

⁹ At the prevailing rate of exchange as of 1 October 2005: (1.764)

¹⁰ At the prevailing rate of exchange as of 1 October 2005: (1.764)

¹¹ Assumes a 4% increase on the 2006-2007 biennium

¹² The projection of the net surplus of 2004-2005 is based on actual figures for 2004 and on estimated figures for 2005

ANNEX 2

DRAFT ASSEMBLY RESOLUTION

**Resolution A.XXX(24)
Adopted on XX November 2005**

**DRAFT ASSEMBLY RESOLUTION CONCERNING THE IMPORTANCE AND
FUNDING OF TECHNICAL CO-OPERATION AS A MEANS TO SUPPORT THE
MILLENNIUM DECLARATION AND DEVELOPMENT GOALS**

THE ASSEMBLY,

ACKNOWLEDGING IMO's record of achievement in technical co-operation, the relevance of the Integrated Technical Co-operation Fund (ITCP) and the strongly growing demand arising from the priority in implementing the instruments of the Organization,

ACKNOWLEDGING ALSO that one of the effects of the Organization's Model Audit Scheme will be an additional increase in demand for technical co-operation,

ACKNOWLEDGING FURTHER the need to support through technical co-operation the United Nations Millennium Declaration and Development Goals and to review the progress made on a regular basis, and also the emphasis that those instruments place on meeting the special assistance needs of Africa,

BEING AWARE that a proliferation of amendments to IMO instruments and the approval of new instruments could increase the difficulties some Member States are facing in the implementation of existing instruments, thus resulting in differing levels of implementation in different regions of the world,

BEING AWARE ALSO that a substantial portion of the Organization's regular budget is funded by developing countries,

BEING FURTHER AWARE of the budgetary constraints of the Member States and the Organization itself, and of the need to make efficient use of the Printing Fund surpluses while also respecting the priority of technical co-operation over other matters,

CONSIDERING the importance of emphasizing the Secretary-General's mandate regarding the allocation of funds for technical co-operation,

CONSIDERING ALSO the ongoing efforts of the Technical Co-operation Committee to produce a comprehensive mechanism for ensuring long-term, sustainable implementation of the ITCP, through effective and efficient deployment of additional resources that reduces dependence on sales of the organization's publications,

CONSIDERING LIKEWISE that, in accordance with resolution A.100(IV), the Assembly shall decide on the use of any surplus in the Printing Fund at the end of each financial period,

1. REAFFIRMS that technical co-operation is an essential part of the Organization's work to achieve the ratification and implementation of IMO's global instruments and to carry out successfully the Organization's Model Audit Scheme;
 2. INSTRUCTS the Secretary-General to transfer compulsorily, at the beginning of each year from 1 January 2008, 75 per cent of the net annual surplus in the Printing Fund to the Technical Co-operation Fund;
 3. AUTHORIZES the Secretary-General to decide freely, with guidance from the Council, how to deploy the remaining 25 per cent, bearing in mind that, depending on the circumstances of the Organization, he shall accord priority to the Technical Co-operation Fund over the other fiduciary Funds;
 4. INSTRUCTS the Technical Co-operation Committee, through the ITCP, to grant preference to the transfer of resources to meet technical co-operation needs in the African continent;
 5. REQUESTS the Secretary-General to submit for the consideration of the next session of the Technical Co-operation Committee relevant options for generating the reserves in the Technical Co-operation Fund necessary to enable it to overcome any reduction in transfers arising from insufficient sales of the Organization's publications;
 6. APPROVES that the income arising from investments of the Technical Co-operation Fund shall continue to be credited to that Fund;
 7. REQUESTS all IMO committees, in co-operation with the Technical Co-operation Committee, to consider and adopt measures relating to technical assistance, with the aim of promoting the ratification and implementation of IMO instruments and of carrying out successfully the activities under the Organization's Model Audit Scheme;
 8. INVITES Member States and organizations to continue, and if possible increase, their appreciable financial and in-kind support for the technical co-operation activities of IMO;
 9. REQUESTS those Member States receiving technical assistance to keep the Technical Co-operation Committee informed on the effectiveness of the assistance in securing better implementation;
 10. REVOKES resolution A.873(20).
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