COUNCIL – 23rd extraordinary session

C/ES.23/SR.1
17 November 2005
Original: ENGLISH

SUMMARY RECORD OF THE FIRST MEETING

held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR on Thursday, 17 November 2005 at 9.30 a.m.

Chairman:	Mr. L. DÍAZ-MONCLUS (Venezuela)
Vice-Chairman:	Mr. J. FRANSON (Sweden)
Secretary-General:	Mr. E.E. MITROPOULOS

A list of participants is given in document C.ES/23/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 7 April 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 twenty-third extraordinary 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 which were not members of the Council had expressed a wish to participate in the session, namely Angola, Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Colombia, Congo, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Democratic Republic of the Congo, Gabon, Islamic Republic of Iran, Jamaica, Kenya, Liberia, Malaysia, Marshall Islands, Mauritius, Morocco, New Zealand, Pakistan, Peru, Saint Vincent and the Grenadines, Sudan, Thailand, Tuvalu, Uruguay and Vanuatu. He suggested that the representatives of those countries be invited to attend the session as observers, and that the representative of Hong Kong (China) (Associate Member) also be invited to attend as an observer.

It was so decided.

AGENDA ITEM 1 – ADOPTION OF THE AGENDA (C/ES.23/1/1)

Mr. RAFIQUL ISLAM (Bangladesh) requested that the allocation of time under the proposed timetable be more efficiently managed than in previous sessions, when agenda items that were still outstanding towards the end had failed to receive proper consideration because of time constraints.

The CHAIRMAN replied that he had already asked the chairmen of all reporting bodies to be as brief as possible in their introductory remarks. Because of the short time available and in accordance with the established practice, there would be no Summary of Decisions available before the close of the meeting. The Secretariat would prepare the Summary, in consultation with delegations, and issue it as soon as was practicable thereafter.

The SECRETARY-GENERAL recalled that the Council, at its ninety-third session, had adopted guidelines on the organization and method of its work, contained in Circular letter No.2601, to enable it to conduct its business in an efficient and effective manner. Deadlines had been set for the submission of documents and the Secretariat had complied with its instructions to apply the rules as strictly as possible and had not accepted late submissions except where outside factors had had a bearing on other documents, as had occurred in the following cases: refurbishment of the headquarters building, finalization of the revised budget proposals for the 2006 to 2007 biennium, requests from Member Governments with regard to the application of Article 56 of the IMO Convention, and document C/ES.23/17(a) relating to recent developments in the incident involving piracy and armed robbery against ships in waters off the coast of Somalia, which should be included under agenda item 17 in document C/ES.23/1/1.

As in the past, it had been considered appropriate that the ceremony to award the International Maritime Prize for 2004 should take place following the close of the day's business. The ceremony would include other activities planned by the Mexican Government following the Council's decision, at its ninety-fifth regular session, to award the prize to Mr. Luis Martínez Wolf.

The agenda was adopted.

AGENDA ITEM 2 – REPORT OF THE SECRETARY-GENERAL ON CREDENTIALS (C/ES.23/2)

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 STAFF RULES (C/ES.23/3(a) and Add.1)

The SECRETARY-GENERAL said that the Council would recall that the United Nations common system of conditions of service for IMO staff was determined by the International Civil Service Commission (ICSC) and the General Assembly of the United Nations. The ICSC had recently recommended consolidating several classes of post adjustment into the base salary scale for staff in the Professional and higher categories with effect from 1 January 2006, which would result in an increase in net salaries of 2.49 per cent. However, the overall result would be neutral in income terms, since there would be a corresponding decrease in the post adjustment for London. Net salaries and take-home pay would not be affected and there would be no budgetary implications. If the General Assembly of the United Nations were to approve the recommendation, the relevant scales would be amended in January 2006. The new rates would be incorporated in the revised salary scales and the IMO Staff Regulations and Staff Rules adjusted accordingly. The changes would be presented to the Council at its ninety-sixth session.

The ICSC was currently working on a reform of the United Nations pay and benefit system as part of the process of modernizing human resources management and creating a result-oriented organizational culture within the United Nations system. One of the main elements of the proposed reform was “broadbanding”, which would offer, in principle, a more flexible mechanism for addressing particular organizational recruitment and retention needs in the different parts of the United Nations system. The World Food Programme (WFP), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and the International Fund for Agricultural Development (IFAD) had embarked on pilot schemes. The schemes were still at an early stage of development and the applicability of such a regime to other organizations within the United Nations system would need to be considered carefully in the context of individual organizational goals, structure and human resources policies. The Council would be kept informed of any developments.

The net remuneration of United Nations staff members in the Professional and higher categories was based on the net remuneration of employees in comparable positions in the United States’ federal civil service within a margin varying between 110 and 120. For 2005 the actual margin had been estimated at 111.1, which was 3.9 points lower than the desirable mid-point of 115. The ICSC had announced an average 3.81 per cent increase in pensionable remuneration for staff members in the Professional and higher categories to be applied from 1 September 2005. The increase was an automatic consequence of the adjustment made in the post-adjustment classification in New York. The necessary amendments had been made to the Professional and higher category salary scale and the additional cost to the Organization would be contained within the approved appropriation. The relevant amendment to the Staff Regulations was contained in annex 1 to document C/ES.23/3(a)/Add.1.

The ICSC place-to-place survey, which determined the post adjustment for staff in the Professional and higher categories, had been carried out in London over the past two months, as foreshadowed in document C/ES.23/3(a). Since the ICSC was to consider the outcome of the survey at its 2006 summer session, there would be no effects on the 2005 budgetary appropriations. It was too early to speculate on what effect the results of the survey would have on London, as they would not be available until late 2005 or early 2006. However, general economic indicators suggested that there might be an increase in the London post-adjustment index, the budgetary implications of which would be reported to the ninety-sixth session of the Council.

In accordance with United Nations common system procedures, an interim adjustment to the salary scale for staff in the General Service category had been made with effect from 1 October 2005 and had resulted in a net increase of 3.1 per cent over the October 2004 scale. The relevant amendment to Appendix A to the Staff Rules was attached in annex 2 to document C/ES.23/3(a)/Add.1. The budgetary implications were noted in paragraph 7 of document C/ES.23/3(d), with the advice that the additional cost would be absorbed within the approved appropriation.

He had reported to the Council at previous sessions that the Organization's present insurers had withdrawn work-related insurance cover in respect of Appendix D of the Organization's Staff Regulations and Staff Rules relating to death, injury or illness caused by nuclear, biological or chemical terrorism. The Organization was thus self-insured for those particular risks. The Council would be advised of any further developments.

As at 1 October 2005, the percentage of women employees at IMO was 35.6 per cent, of whom 38.5 per cent were in grades P-1 to P-5 and 21.3 per cent were in grades D-1 and above. On 1 November the last-mentioned figure had fallen to 18.1 per cent following the retirement of one staff member. Member States' Governments were therefore encouraged to propose well-qualified female candidates whenever possible. Annex 3 of document C/ES.23/3(a)/Add.1 showed the geographical distribution of posts as at 1 October 2005. At headquarters, of the 99 Professional and higher category posts that were subject to geographical distribution and which were filled, staff came from 53 Member States. As the Council had requested at its ninety-fourth session, annex 3 also contained data on IMO staff members in the field. He took it that the Council would welcome the additional information, which further illustrated the Organization's geographical diversity. The table showed that the total number of professional staff in the field, both locally engaged and internationally recruited, was 23 from 13 countries, of whom nine were male and 14 were female.

The CHAIRMAN invited the Council to take note of the information contained in the documents under review and that provided orally by the Secretary-General; and to approve the implementation at IMO of the decisions of the United Nations General Assembly regarding the recommendations contained in the report of the ICSC relating to core terms of employment within the common system, with effect from the dates determined by the General Assembly.

It was so decided.

Mr. CHRYSOSTOMOU (Cyprus) expressed support for the implementation of the decisions of the United Nations General Assembly regarding the recommendations contained in the 2005 report of the ICSC. However, he felt compelled to echo his previous comments relating to the need for positive discrimination in the recruitment of women and for a more equitable geographical distribution of posts at Headquarters. If each country were limited to two posts, up to eight other Member States could be accommodated.

(b) 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/ES.23/3(b) and Corr.1, C/ES.23/3(b)/Adds.1-4)

The SECRETARY-GENERAL said that document C/ES.23/3(b) and its four addenda reported on the situation as at the dates specified therein with respect to the payment of contributions. It also reported on the implementation of Article 56 of the IMO Convention.

Council Members would note a considerable improvement in the collection of assessments. To date, a respectable 93.51 per cent of the 2005 Assessment had been received, which compared favourably with the final year-end contribution levels of 96.48 per cent and 97.64 per cent for 2004 and 2003, respectively. Details of individual Member States' and Council Members' contributions were provided in annexes 1 and 2, respectively. Since the issue of Addendum 4, Azerbaijan, the Libyan Arab Jamahiriya, Malawi, the Marshall Islands and Mauritania had paid their contributions in full up to 2005, and the Democratic Republic of Korea had partly paid its contribution for 2005. Their combined settlement represented a total payment of arrears of £262,630.89.

Turning to the implementation of Article 56 of the IMO Convention, the Council would recall that rules 56*bis* and 56*ter* of the Rules of Procedure of the Assembly had been applied for the first time at the eighteenth session of the Assembly, on the basis of a report from the Council, and at all subsequent sessions of the Assembly. Annex 1 to document C/ES.23/3(b)/Add.4 provided a status report as at 31 October 2005 on each Member State by reference to their status under the terms of Article 56.

Of the five Member States that had been granted a waiver at the twenty-third session of the Assembly, the Democratic Republic of the Congo and Uruguay had not yet discharged their obligations. Although Bolivia had cleared its arrears in accordance with its undertaking, it had again fallen under Article 56 as it had only partially paid its contribution for 2004. Guinea and Gabon had cleared their arrears in accordance with their undertaking and, consequently, were no longer under Article 56. Of the 11 Member States remaining under Article 56, Togo and Haiti had made partial payments of their arrears.

At its ninety-fourth session, the Council had reiterated its decision at the ninety-third session that the terms of Article 56 should be strictly enforced between Assembly years. In August 2005, as a follow-up to his letter of the previous February, he had written to those Member States that fell under Article 56 at that time informing them of their status and the loss of their right to vote, pending payment of any outstanding contributions. It seemed that the Council's firm stance was showing positive returns.

In addition to recognizing the efforts of Members States in settling their arrears, he wished to thank all Council Members for having paid their contributions in full, thus setting a commendable standard for all Members to follow. Since securing timely payment of contributions was a matter that remained high on the Council's agenda, the Council was invited to recommend to the Assembly the draft resolution contained in annex 3 of document C/ES.23/3(b)/Add.4 as an expression of its continuing concern.

The CHAIRMAN noted that the Council would continue its consideration of the application of Article 56 in respect of arrears for earlier years under agenda item 3(c) when it would be invited to consider and advise the twenty-fourth session of the Assembly on the relative merits of applications for waiver.

Mr. ALLAN (United Kingdom) expressed satisfaction that 93.51 per cent of the 2005 Assessment had been received. He had noted that the subject of waivers would be dealt with later but nevertheless wished to encourage the Council to reiterate its intention to maintain a firm stance on the strict enforcement of Article 56 of the IMO Convention, particularly in view of the Secretary-General's comments. It was also gratifying to learn that Council Members had now paid their contributions in full as the importance of their setting a good example by making their payments by the due date could not be over-emphasized.

Mr. GASC (France) commended the Secretary-General on his efforts to ensure payment of contributions. His delegation attached great importance to the timely payment of contributions by Council Members, which was crucial if the Organization, which was subject to strict budgetary constraints, were to be in a position to fulfil its mandate. Those Member States that had difficulty in paying their contributions should be encouraged to negotiate an instalment plan to which they should then adhere.

The CHAIRMAN invited the Council to commend the Secretary-General on his continuing strenuous efforts to improve the Organization's financial position and to support the emphasis he had placed on Council Members' setting an example by settling their dues in accordance with the Organization's Financial Regulations and Financial Rules.

He invited the Council to note, with regard to the provisions of regulation 5.4 of the Financial Regulations concerning the timing of the payment of their contributions, that proposals for amendments to the regulation would be submitted to the Council's ninety-sixth session in June 2006; to note the contribution position of those Member States which had been granted a waiver of the application of Article 56*bis* at the twenty-third regular session of the Assembly and to welcome the efforts made by those Member States which had discharged their obligations in the interim; to welcome the payments made by those Member States which had not been granted a waiver; and to note that two Member States, which had been granted a waiver at the twenty-third regular session of the Assembly, had not yet fulfilled their undertakings.

It was so decided.

Mr. ALLAN (United Kingdom) proposed that operative paragraph 4 of the draft resolution annexed to document C/ES.23/3(b)/Add.4 should be amended by deleting the word "prompt" and making the deadline more specific. The exact wording would be left to the Secretariat but payment of annual contributions should be requested by the end of January of the year in question.

Mr. SHAFIQULLAH (Bangladesh) proposed that, in the seventh preambular paragraph of the draft resolution, the words "and security" be inserted after "safety".

Mr. FINLEY (Panama), welcoming the important draft resolution, said that the word "prompt" was quite adequate and disagreed that the deadline needed to be made explicit. As a major contributor to the Organization's budget, his country had always complied with the request to pay its contributions promptly, and the payment of Member States' contributions had generally been effected in such a way as to ensure that the Organization operated satisfactorily.

Mr. CHRYSOSTOMOU (Cyprus), referring to the United Kingdom's proposed amendment, said that since his country's parliament did not approve budgets until early March each year he would not be able to commit his country to making its annual contributions as early as January, or on any date for that matter. He pointed out that Cyprus had fulfilled all its obligations with regard to its contributions.

He also opposed the amendment proposed by Bangladesh, since it implied amending the IMO Convention. The question concerned the International Convention for the Safety of Life at Sea (SOLAS), which had already been amended accordingly.

Mr. CASTRO RIVAS (Argentina) and Mr. OLIMBO (Italy) opposed the United Kingdom proposal for the same reasons as Cyprus and Panama.

Mr. HANSEN (Denmark) and Mr. NYGAARD (Norway) supported the United Kingdom proposal since the word "prompt" left too much room for interpretation.

Mr. VASSALLO (Malta) said he fully understood the reasoning behind the United Kingdom proposal but rejected it on practical grounds, for the reasons given by Cyprus and others, and on grounds of form; the word "prompt" was sufficiently insistent and flexible. He disagreed that it left room for legal interpretation and felt there was no need for a deadline to be specified in such a resolution.

The SECRETARY-GENERAL apologized for the late distribution of the document. The Secretariat had wanted the information it contained to be as up to date as possible. In future, however, it would be distributed earlier. He also pointed out that the same resolution was submitted for the Assembly's approval every two years and the present text in no way differed from previous versions. The fourth operative paragraph of the draft resolution should be read in conjunction with the previous paragraph, which referred specifically to regulation 5.4 of the Financial Rules and Regulations. The concerns expressed by the United Kingdom would then be met. Moreover, a circular was issued every year requesting Member States to pay their contributions within 30 days of reception. In 2004 it had been issued on 9 December, which implied that payment should be made by around the following 20 January. Furthermore, since 94 per cent of Member States had paid their annual contributions for the current year, he suggested that in the third operative paragraph the words "which have not yet done so" be inserted after "Member States".

Mr. YEANG-JUN JANG (Republic of Korea) thanked the Secretary-General for his clarification and agreed with Cyprus that the wording of the resolution was acceptable as it stood.

Mr. RANGEL JALLEY (Venezuela) said that his country's national assembly adopted budgets in late March. He therefore agreed with Cyprus in rejecting the United Kingdom proposal and said that the Secretary-General's proposal was a satisfactory solution.

Mr. GASC (France) also accepted the Secretary-General's explanation and proposal; operative paragraph 3 of the draft resolution needed to be made more explicit, however. He also asked for an explanation of the contributions incentive scheme mentioned in operative paragraph 1. As far as he knew, his country had not benefited from it.

Mr. PACHA VICENTE (Spain) agreed with Cyprus and other delegations over the issue of a deadline; budgetary procedures differed from country to country and, in view of parliamentary independence, he could not commit his government to payment of contributions by 1 or even 20 January of any given year. The Secretary-General's explanation and proposal ought to meet the concerns of the United Kingdom and other delegations. He also suggested that consideration be given to reviewing the Financial Rules and Regulations in the light of some States' difficulty in meeting the deadline they contained.

Mr. INNAMI (Japan) said that the fiscal year began in April in his country, making it impossible administratively speaking for payments to be made in January. The situation in his country and others should be taken into account.

Mr. PONOMAREV (Russian Federation) acknowledged that the late distribution of the document was inevitable. He supported the proposal by the Secretary-General regarding operative paragraph 3 of the draft resolution. It was a well-known fact that most countries, including his own, were unable to pay their contributions as early as January, which meant they were effectively in breach of the Financial Rules and Regulations. He agreed with Spain that regulation 5.4 should therefore be amended. Either the Secretariat or a group of interested Member States might reflect on the matter to find a solution.

Mr. NTULI (South Africa), thanking the United Kingdom delegation for raising the matter, said that the Secretary-General's explanation and proposal were satisfactory for all concerned. He agreed with Spain that there might be a case for reviewing regulation 5.4 of the Financial Rules and Regulations. Full data concerning Member States' payment of contributions were currently lacking.

Mr. PARDINAS (Mexico) said that the budgetary procedure in his country allowed for payments to international organizations to be approved in March of each year. The Secretary-General's explanation and proposal were acceptable.

Mr. FRANSON (Sweden) accepted the Secretary-General's explanation and proposal and agreed with Spain and the Russian Federation that thought should be given to amending the Financial Rules and Regulations. Those Regulations should be framed in such a way that as many Member States as possible could respect deadlines for the payment of contributions in accordance with their budgetary procedures.

Mr. CZERWINSKI (Poland), Mr. PRASETYO (Indonesia) and Mr. AZUH (Nigeria) endorsed the Secretary-General's explanation and proposal, and agreed with the delegations of Cyprus and Panama that the word "prompt" should be maintained, without reference to a specific deadline.

Mr. O'BRIEN (Bahamas) did likewise, adding that his country's fiscal year began in July. He also supported the proposal by Spain and the Russian Federation to review the Financial Rules and Regulations.

The SECRETARY-GENERAL pointed out that the provisions of regulation 5.4 of the Financial Rules and Regulations were made explicit in a preambular paragraph of the draft resolution. On the other hand, France was right to point out the need for an explanation of the contributions incentive scheme mentioned in operative paragraph 1, which should be done in an additional preambular paragraph. Under that scheme those Member States that paid their contributions on time, in accordance with the existing regulations, were entitled to a refund. Those countries that were entitled to such a refund had, however, generously foregone it and the money involved had instead been spent by the Organization on good causes.

Data on Member States' and Council Members' contributions, a matter mentioned by South Africa, were already made available in a dynamic manner once a month.

Mr. CHRYSOSTOMOU (Cyprus) repeated that his government could not be asked to commit itself to paying its contribution by the end of January in any given year. If the draft resolution remained as it stood, requesting payment in accordance with the Financial Rules and Regulations, his delegation could accept it. He sought clarification of what had been decided.

The SECRETARY-GENERAL said that the final draft of the resolution to be submitted to the Assembly would take account of the consensus reached in the Council. Those Member States that had not yet done so would be requested to pay their annual contributions as soon as possible, in accordance with the existing Financial Rules and Regulations, but without any specific deadline. It would be for the Council, or interested Member States, to review regulation 5.4 of the Financial Rules and Regulations, as proposed, and to present a document in that regard at a later date.

The CHAIRMAN took it that the Secretary-General's proposal was accepted and that one or more Member States would make a proposal regarding the possible amendment of regulation 5.4 of the Financial Rules and Regulations. On that basis, he invited the Council to recommend that the Assembly, at its forthcoming session, adopt the draft resolution annexed to document C/ES.23/3(b)/Add.4, with the amendments proposed by the Secretary-General and the inclusion of a preambular paragraph explaining the Organization's contribution incentive scheme, reaffirming the importance of timely contributions and of the risks to the Organization's financial well-being arising from the late payment of contributions.

It was so decided.

Mr. PONOMAREV (Russian Federation) proposed a review of the Financial Rules and Regulations in accordance with the proposal made by Spain and invited other countries to join the exercise.

(c) CONSIDERATION OF REQUESTS BY MEMBERS, IF ANY, FOR WAIVER OF THE APPLICATION OF ARTICLE 56 OF THE IMO CONVENTION (C/ES.23/3(c) and Add.1)

The SECRETARY-GENERAL, introducing document C/ES.23/3(c) and its addenda, said that the documents provided a background to Article 56 of the Convention and a summary of the present arrears position for the Organization's Members to enable Council to report to the Assembly on waivers of Article 56. Annex 1 to document C/ES.23/3(c)/Add.1 showed the status of Member States falling within the provision of Article 56 as at 31 October 2005.

He recalled that, at its twenty-third regular session in November 2003, the Assembly had considered the applications for waiver of the provision of Article 56 in accordance with rule 56*bis* of its Rules of Procedure and granted waivers to five Member States on the basis of schedules of payments and pledges made by them to settle their arrears. Of those Member States, Gabon and Guinea had since made full payments of their arrears, in accordance with the undertaking given. Bolivia had cleared its arrears in accordance with their undertaking for 2002 and 2003 but had again fallen under Article 56, as its contribution for 2004 had only partially been paid. The Democratic Republic of the Congo had cleared its arrears in full in accordance with its undertaking up to 1998 and had partially cleared its arrears for 1999. Uruguay had made no payment towards its undertaking. Following advice from the United Nations, it was appropriate to regard the pre-dissolution arrears relating to the former Socialist Federal Republic of Yugoslavia (SFRY) as exempt from Article 56, but remaining as arrears due collectively from all five successor States of the former Yugoslavia. The precise amount owed by each of the SFRY's five successor States had not yet been approved by the United Nations.

In accordance with the provisions of rule 56*bis* subparagraph (i), the Director, Administrative Division, had written twice in 2005 to those Member States which had not discharged their financial obligations under the terms of Article 56, informing them of their status and loss of their right to vote, pending payment of their outstanding contributions.

Rule 56*bis*, adopted by the Assembly at its nineteenth session, introduced a deadline according to which any Member States wishing to request waiver should submit a written application to the Secretary-General at least one month before the Assembly. Rule 56*bis* subparagraph (vii) provided that a Member that had not settled an earlier undertaking should not be entitled to a fresh waiver. As at 31 October 2005 the Organization had received formal applications from Bolivia, Haiti and Peru, which had been circulated to Member States in annexes 2, 3 and 4 to document C/ES.23/3(c)/Add.1. The applications had been received at least one month before the Assembly as requested by rule 56*bis* subparagraph (ii). Paraguay's application had been received on 10 November and had been circulated in annex 2 to document C/ES.23/3(c)/Add.2.

He invited the Council to note that applications had been received from Bolivia, Haiti, Peru and Paraguay and were submitted for the Council's consideration. The Council was required to report to the Assembly on the matter, together with its recommendations on any subsequent submission from Members requesting a waiver of the provision of Article 56 of the Convention.

Mr. ALLAN (United Kingdom) asked for clarification of the situation regarding Haiti and asked whether its formal application requesting a waiver had indeed been received within the one-month deadline.

Mr. JONES (Director, Administrative Division) said that two of the three communications requesting a waiver received from Haiti were undated and there was uncertainty over the exact date of the third.

Mr. ALLAN (United Kingdom) said that, in accordance with the decision that the Council had already taken, his delegation supported the requests for waiver by Bolivia and Peru, since they complied with the requirements relating to the deadline and payment schedules. It could not, however, support the requests for waiver by Haiti and Paraguay since they had not complied with those requirements.

Mr. PACHA VICENTE (Spain) supported the views expressed by the representative of the United Kingdom that the requests for waiver submitted by Bolivia and Peru should be accepted.

Mr. POLDERMAN (Netherlands) joined in supporting the position of the United Kingdom, as seconded by Spain.

Mr. CHRYSOSTOMOU (Cyprus) joined previous speakers in endorsing the view of the United Kingdom. Bolivia and Peru had fulfilled their obligations, whereas the position regarding Haiti and Paraguay needed to be clarified.

Ms. FERNÁNDEZ (Panama) agreed that the requests for waiver submitted by Bolivia and Peru should be accepted and that Haiti's position needed to be clarified as it appeared that the Government of Haiti had been trying to contact IMO before the dispatch of its letter dated 31 October 2005.

Mr. DIAMOND (United States) and Mr. BERTELSMEIER (Germany) associated themselves with previous speakers in supporting the position of the United Kingdom.

The CHAIRMAN said that the Secretariat had informed him that Haiti had submitted its request for waiver on 7 October 2005.

Mr. RANGEL JALLEY (Venezuela) supported the views expressed by the representative of Panama. Haiti was making an effort to fulfil its commitments and IMO should therefore not apply its regulations too strictly.

Mr. GASC (France) and Mrs. de OLIVEIRA (Portugal) associated themselves with the views expressed by Panama.

Mr. PONOMAREV (Russian Federation) supported the United Kingdom's position. Referring to document C/ES.23/3(c)/Add.1, which was issued on 2 November and which contained tables showing the Member States falling within the provisions of Article 56 as at 1 January and 30 September 2005, he requested that in future such information should be updated so that it bore a date closer to the date of issue of the Council document.

Mr. O'BRIEN (Bahamas) agreed with previous speakers that the request for waiver by Bolivia and Peru should be granted, but sought clarification on the request for waiver by Haiti, on which his delegation reserved its position.

The SECRETARY-GENERAL said that IMO's Financial Services had received the letter from the Permanent Mission of Haiti to the United Nations on 7 October, and Haiti's request had therefore been submitted within the period of time required. Haiti's outstanding balance was of the order of £40,939. Referring to the comment by the Russian Federation, he noted that document C/ES.23/3(b)/Add.4 had been issued on 7 November and contained information correct up to 31 October. He took it that the representative of the Russian Federation found that acceptable.

Mr. OLIMBO (Italy) joined earlier speakers in endorsing the request for waiver by Bolivia and Peru. However, Haiti and Paraguay needed to supply more information before their requests for waiver could be granted.

Mr. NTULI (South Africa) supported the proposal to grant the request for waiver by Bolivia and Peru. In the view of his delegation, Haiti's efforts to fulfil its commitments and the fact that its request had been made at least one month before the Assembly would make it easier for the Assembly to agree to waiver the provisions of Article 56 in regard to Haiti.

Mr. ALLAN (United Kingdom) explained that his delegation's opposition to the request submitted by Haiti was not based on the date of that request, about which there was clearly some confusion, but on the absence in its request of any indication of a proposed schedule of payments.

Mr. PARDINAS (Mexico) and Mr. AZUMA ISSAKA (Ghana) considered that the applications for waiver submitted by Bolivia and Peru should be accepted and that Haiti should be asked to indicate a payments schedule. The representative of Mexico proposed that Paraguay should also be requested to submit such a schedule.

Mr. CZERWINSKI (Poland) supported the views expressed by many delegations that only Bolivia and Peru should be granted a waiver.

Mr. HEUSSER (Chile) endorsed the view expressed by the United Kingdom that Bolivia and Peru should be granted a waiver. He urged the Council to agree to review the situation of Haiti and Paraguay.

The CHAIRMAN invited the Council to note the information set out in document C/ES.23/3(c) and its addenda, as well as that provided orally by the Secretary-General; to agree that Bolivia and Peru, which had requested waiver of the provision of Article 56 of the IMO Convention and had provided payment pledges, had satisfactorily met the provisions of rule 56*bis* and that Haiti, which had also requested a waiver, would, subject to consultation with the Secretariat on a payment schedule, be considered as having satisfactorily met the provisions of rule 56*bis*; to strongly encourage Seychelles and the former Yugoslav Republic of Macedonia to pay the small amounts outstanding for 2004 during the early part of the Assembly, so that there would be no question of the application of Article 56 and rule 56*bis* and their right to vote would thus be regained; and to recommend to the Assembly that the application of Article 56 not be waived for Paraguay, but be waived for Bolivia, Peru and, subject to a satisfactory payment schedule being agreed, also in the case of Haiti; and to request the Secretary-General to report the Council's decisions on the matter to the Assembly.

It was so decided.

(d) WORK PROGRAMME AND BUDGET PROSPECTS FOR 2005 (C/ES.23/3(d) and Add.1)

The SECRETARY-GENERAL said that the documents under review updated the information provided in his preliminary assessments of the status of the budget which he had presented to the Council at its ninety-fourth session. They also summarized the forecast overall budgetary position on the basis of the expenditure out-turn level at the end of 31 July 2005 and provided an overview of the status of the main Funds of the Organization. The addendum to document C/ES.23/3(d) provided a summary report of the work programme deliverables, by reference to Major Programmes, as at 31 October 2005.

The variations in expenditure in relation to the approved programme budget were mainly influenced by movements in external pay and price factors in the United Kingdom economy and in the salary and allowance levels determined by the International Civil Service Commission (ICSC) and, where appropriate, approved by the General Assembly of the United Nations. The latest authoritative reports on the United Kingdom economy showed that movements in the pay and price factors in 2005 were running ahead of the budgetary assumptions approved by the Assembly. He had, however, concluded that, with continued careful planning and prudent management, the Organization's annual expenditure for 2005 could be contained within the level of approved appropriations.

In line with change in the prevailing Retail Price Index (RPI) and Average Earnings Index (AEI) in the United Kingdom's economy, an interim increase of 3.1 per cent for General Service salaries had been allowed in October 2005, which was 1.1 percentage points higher than the budgetary assumption. However, a cost-of-living adjustment for Professional staff had not been applied in July because the ICSC had been carrying out a cost-of-living survey at headquarters duty stations. It was estimated that a small saving of £24,200 would accrue from those adjustments in Professional and General Service salaries. The interim increase in GS salary scales would roll forward to future years and the annual increase in the GS staff costs had been reflected in his revised budget proposal for the 2006-2007 biennium.

The results of the ICSC cost-of-living survey for Professional staff would be provided to the Council at its ninety-sixth session in June 2006. The general economic indicators suggested there could be a real increase in 2006 in the post adjustment for London. However, that change would not have retrospective effect to 2005.

Tables 2 and 3 of document C/ES.23/3(d) set out a summary forecast out-turn for 2005, as at 31 July 2005, with a projected budgetary saving of some £300,000. He had further reviewed the budget prospects for the year based on the out-turn level of expenditure as at 31 October 2005, and could reaffirm his earlier assessment that the expenditure was on course with some admissible variations in the out-turn level under each Major Programme. The projected savings mainly reflected personnel cost savings, which arose in part from vacant posts that were now being progressively and prudently filled. Other factors contributing to those savings had been his continued commitment to redeploying staff as far as practicable, the organizational changes effected through change management reforms and the decision, endorsed by the Council at its ninety-fourth session, to close the Production Unit of the Publishing Service.

He recalled that, to enable the increasingly heavy agenda of the extraordinary session of the Council preceding the Assembly session to be addressed effectively, the Council had agreed to extend the current extraordinary session by one day. He had ensured that the annual budget provision for meetings would cover the extra cost, including pay-scale increases, of the interpreters and translators who were recruited to service meetings.

As reported to the Council at its ninety-fourth session, the forecast expenditure in respect of indirect costs, notably the Organization's overhead costs for running and maintaining the Organization's headquarters premises, was expected to incur some overruns, reflecting the rising security costs for the Organization's premises, rising insurance costs, and the implementation of business continuity arrangements for the Organization's IT infrastructure and databases. However, those increased expenditure levels would be offset by savings in other areas. It was therefore expected that the regular budget provision for a capital expenditure allocation of £100,000 to be transferred to the Headquarters Capital Fund at the end of 2005 could be met.

So far as the contribution position of Member States for 2005 was concerned, he had commented, in document C 94/3(b) and its addenda, on the general and individuals positions of Member States. The Council would note from table 5 of document C/ES.23/3(d) that the Organization's forecast year-end cash position was a surplus of some £287,000, based on the contribution receipts at a projected level of 97.4 per cent for 2005. However, he recalled that, as a precautionary measure, the Assembly at its twenty-third session had authorized him to draw, if necessary, on the Printing Fund, the Headquarters Capital Fund, the Technical Co-operation Fund and the Termination Benefit Fund, to finance the approved regular budget programme appropriations for 2005.

The status of the Organization's main Funds was shown in tables 6, 7, 8, 9 and 10 of document C/ES.23/3(d). A summary income and expenditure statement table of the Organization's Funds, annexed to that document, 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. The executive summary annexed to document C/ES.23/3(d) set out the key points.

Table 6 provided the income and expenditure statement of the Printing Fund for 2005. The results were generally good; the increased level of publication sales, following the production of the revised edition of the IMDG Code, would contribute to growth in the level of the accumulated surplus of the Printing Fund. That surplus was projected to increase to some £4.68 million at the end of 2005, which would enable him to propose additional transfers to other Funds in 2006 and 2007, particularly to the Technical Co-operation Fund. His revised proposals were set out in document C/ES.23/5.

So far as the Organization's capital investment programme was concerned, the expenditure plan for 2005 had been reassessed and downsized, as summarized in table 7, to meet the key investment needs in the wider context of the contemplated refurbishment of the Organization's headquarters building. The downsizing of the 2005 programme would lead to a fund balance at the end of December 2005 of approximately £1.29 million. Document C/ES.23/5 set out his proposals for the long-term financing of the Organization's capital investment needs.

Table 8 of document C/ES.23/3(d), setting out the status of the Termination Benefit Fund, indicated that the appropriation level for 2005 would need to be increased to accommodate the

Organization's changed circumstances. The increased forecast expenditure on that Fund reflected the IMO management's decision to close the Production Unit of the Publishing Service with the consequent retirement of some of the affected staff. To meet those unplanned liabilities, he therefore sought the Council's endorsement for a supplementary provision of £258,700 for 2005, which would be financed from the reserves of the Termination Benefit Fund. In the absence of replenishment from other sources, the year-end balance of the Termination Benefit Fund would be reduced to some £578,000.

The 2005 programme in the Training and Development Fund had been downsized, as shown in the expenditure forecast in table 9, owing to a much reduced transfer of £25,000 from the General Fund cash surplus, compared with the £200,000 transfer approved in resolution A.942(23). The year-end balance of the Training and Development Fund was projected to be some £110,700, which fell well below the Organization's future training and development needs.

Finally, the expenditure for the Organization's Integrated Technical Co-operation Programme (ITCP), financed from the Technical Co-operation Fund, was projected to amount to £3.1 million for 2005. The Council should note from table 10 that the consequential year-end Fund balance was forecast at a little under £3.1 million, taking into account the transfer of £1 million from the surplus of the Printing Fund for 2005, as approved by the Assembly. A projection of the long-term financing prospects for the ITCP was also provided in document C/ES.23/5.

Mrs. SEET-CHENG (Singapore) congratulated the Secretary-General and the Secretariat on providing an improved expenditure forecast for 2005, contained in document C/ES.23/3(d), as compared to that presented to the Council at its previous session. Nevertheless, she sought some clarification. The Assembly, at its twenty-third regular session, had approved annual transfers from the General Fund and the Printing Fund, of £300,000 and £250,000, respectively, to the Headquarters Capital Fund, for the 2004-2005 biennium. The transfer from the Printing Fund had been effected as planned; however, the shortfall in the cash surplus of the General Fund had resulted in a reduced capital transfer to the Headquarters Capital Fund. She therefore wished to know whether the resulting shortfall in the latter would be made up in the forthcoming biennium, and whether the table contained in page 2 of the annex to the document – which showed transfers from the General Fund cash reserves amounting to only £50,000 – accounted for the capital transfer of £100,000 to the Headquarters Capital Fund announced for the end of 2005.

Regarding the efforts made to ring-fence funds in the Headquarters Capital Fund with a view to financing the refurbishment project, she questioned the feasibility of such an undertaking, since significant IT and office automation expenditure continued to be met by the Fund and was scheduled to do so until 2011, in a context in which expenditure exceeded capital transfers.

The SECRETARY-GENERAL acknowledged the importance of ring-fencing in relation to the Headquarters Capital Fund, and said he would address that issue in his introduction to the next agenda item. In reply to the first question raised by Singapore, he drew attention to table 7 of document C/ES.23/3(d), which provided the status of the Headquarters Capital Fund for 2005, and to the executive summary provided in the annex to the document, and invited the Director of the Administrative Division to provide a detailed explanation on the matter.

Mr. JONES (Director, Administrative Division), referring to the forecast status of the Organization's Funds for 2005 on page 2 of the annex, said that column 3 relating to the Headquarters Capital Fund showed that no assessed contributions were kept at the Fund directly. The capital investment programme from the General Fund, of £200,000, was a transfer of the budget line introduced in the current biennium, specifically in the regular budget, for transfers to the Headquarters Capital Fund. Singapore had rightly noted that the transfers from the General Fund cash reserves, at £50,000, fell £250,000 below the transfers agreed by the Assembly. That was simply because the accumulated reserves had been insufficient. There was thus indeed a shortfall of £200,000 in terms of cash flow and injection of funds. Finally, he confirmed that £250,000 was transferred from the Printing Fund reserves to the Headquarters Capital Fund, in accordance with the relevant Assembly resolution.

For 2006-2007, the Headquarters Capital Fund would have been ring-fenced to accommodate its necessary outgoings to fund the refurbishment programme, subject to approval by the Council and the Assembly. The planned expenditure for 2006-2007 on IT concerned with the replacement of essential IT equipment and the cost of licences financed from the Headquarters Capital Fund, had in fact been scaled back further, below the earlier forecast, in the light of that requirement.

Mr. TOBEY (United States) expressed his appreciation to the Secretary-General for the efforts achieved to reduce the overall estimates since the ninety-fourth session of the Council, although further reductions bringing the overall level closer to zero real growth would have been welcome.

Mr. CHRYSOSTOMOU (Cyprus) observed that the table on page 2 of the annex to the document under consideration showed forecast IT expenditure of £652,700 from the Headquarters Capital Fund, which was hard to understand in light of the expenditure cuts highlighted by the Director of the Administrative Division, and was well above the expected 2005 total of £469,000, or the 2005 IT appropriation of £500,000, both shown in table 7 of the document under review.

Mr. JONES (Director, Administrative Division) suggested that delegations might be provided with an expenditure table showing where the expenditure had been incurred and how it had been funded.

Mr. CHRYSOSTOMOU (Cyprus) pointed out that he did not wish to know the breakdown of expenditure. According to the comments made by the Director of the Administrative Division, the accumulated reserves expected had not materialized, as a result of which IT expenditure had been reduced. However, that had apparently not taken place, since the tables showed that IT expenditure in fact exceeded the IT appropriation by £152,700. He wished to know whether his understanding was correct.

Mr. JONES (Director, Administrative Division) said that table 7 showed two references: improving information technology, with an appropriation of £500,000, and the finalization of the contract ERP system/support costs, with an appropriation of £250,000. The out-turn for the first reference was £469,000, which fell below the planned expenditure of £500,000, and the out-turn for the second reference was £183,000, which fell below the planned expenditure of £250,000.

Mr. AL-OHALY (Saudi Arabia) commended the Secretary-General and the Secretariat on the excellent results they had achieved pursuant to the observations made by the Council at its ninety-fourth session.

The SECRETARY-GENERAL, wishing to ensure that the questions raised by Singapore and Cyprus had been fully clarified, recalled the reference he had made earlier to table 7 of document C/ES.23/3(d) and the attention drawn by the Director of the Administrative Division to the entries concerning improving information technology and the contract ERP system/support costs. With respect to the Organization’s capital investment programme, the expenditure plans for the current year had indeed been reassessed and downsized as summarized in table 7, and paragraph 16, which preceded table 7, provided a clearer explanation of the table itself. Reassessment and downsizing had been achieved successfully in order to meet the key organizational investment needs in the wider context of the refurbishment of the headquarters building. Consequently, the downsizing of the 2005 programme would leave a Headquarters Capital Fund balance at the end of December 2005 of £1,286,946. As he had also mentioned, document C/ES.23/5 set out proposals for the long-term financing of the Organization's capital investment needs, an issue to which he would revert later.

The CHAIRMAN invited the Council to note the information set out in document C/ES.23/3(d) and its addendum, and that provided orally by the Secretary-General, and to note and welcome the forecast out-turn level of the regular budget expenditure for 2005 and, further to the approval given by the Council at its twenty-second extraordinary session and the Assembly at its twenty-third session, to authorize the Secretary-General to make transfers between Major Programmes to the extent that balances were available to cover or reduce deficits in programme appropriation balances; to note the Secretary-General's plan, subject to any unforeseen expenditure demands arising before the end of the year, to transfer the appropriation for capital investment of £100,000 to the Headquarters Capital Fund; to note the forecast level of the year-end cash surplus of the General Fund and the dependency of that forecast on a sustained improvement in the level of contribution receipts, and accordingly to urge Member Governments to remit their financial contributions promptly in accordance with the Organization's Financial Regulations and Rules; to welcome the anticipated increase in publication sales for 2005 and the prospective improvement of the Printing Fund year-end balance which would become available for transfer in 2006 and 2007; to note the reduced expenditure forecast in the Headquarters Capital Fund and the consequential year-end Fund balance and reserves; to approve the supplementary provision of £258,700 to the 2005 appropriation of the Termination Benefit Fund from the reserves of the Fund and note the year-end Fund balance and reserves; to note the downsized level of programmes in the Training and Development Fund and the consequential forecast year-end Fund balance and reserves; to note the forecast expenditure level for 2005 in the Technical Co-operation Fund and the year-end Fund balance and reserves; to endorse the interim adjustments to the salary scale for the staff in the General Service category with effect from 1 October 2005 in accordance with the ICSC methodology; and to welcome the Secretary-General's commitment to securing the Organization's programme needs within the approved appropriation.

It was so decided.

AGENDA ITEM 4 – PROGRAMME FOR CHANGE:

(a) ERP AND ORGANIZATIONAL REFORMS (C/ES.23/4(a); C/ES.23/4(a)/1)

The CHAIRMAN said that there were two documents for consideration under the sub-item: first, the Secretary-General's report on ERP and organizational reforms contained in document C/ES.23/4(a) and second, the document sponsored by Australia, Canada, Japan and the United Kingdom concerning the establishment of a Finance and Risk Management Working Group (C/ES.23/4(a)/1). He noted that the Netherlands should be added to the list of co-sponsors of document C/ES.23/4(a)/1 and proposed that the two documents be taken separately. He therefore invited the Secretary-General to introduce document C/ES.23/4(a) reporting on the continuing progress made on the implementation of the ERP system and its further development to address the Organization's needs, including the benefits realized to date. The Secretary-General would also report on other reform initiatives which formed part of his Change Management Programme.

The SECRETARY-GENERAL said that document C/ES.23/4(a) provided the latest update on the post-implementation position with regard to SAP, the Organization's chosen Enterprise Resource Planning (ERP) system. He would also provide an update on the reforms about to be put in place in the Organization.

Work on optimizing the SAP system for the Organization's use was continuing and, since his report of June, further progress had been made in a number of areas. The first of the major reviews of processes had been completed with the work achieved on the SAP travel management system. It had been identified quite early in the life of the new system that the SAP travel management module was not working as had been wished. Through thorough testing and training, the deficiencies had been corrected and the new application was proving robust.

In the process, some valuable lessons to apply to future process reviews and system updates had been learnt. Firstly, the value had been recognized of providing ongoing "refresher" training for all staff, to ensure a consistent approach to procedures across the Secretariat, and to allow staff to learn from each other. Second, the value of input from regular users, which could be used to identify system weaknesses or possible improvements which might not otherwise have been apparent, had been learnt; finally, the importance had been recognized of taking a step back and conducting a review of the different processes from end to end, beyond addressing any obvious issues. That had made it possible to tighten up some areas of control and to streamline some other areas of the process to ensure that duplication was avoided. The process of introducing SAP during 2004 had led to some significant shifts in the Organization's processes and procedures to take greater advantage of "best practice", but it was essential to remain open to the fact that there was always scope to improve.

With those lessons in mind, the process of reviewing and refreshing processes and enhancing the use of the information held in SAP to manage resources more effectively would be continued. The Council would recall that the External Auditor had made very encouraging comments about the new system in his audit of the 2004 accounts. Similar remarks had been made during the course of the interim external audit for the first half of 2005. Furthermore, in order to test the full rigour of the processes, the External Auditor had been asked to undertake, in the spring of 2006, a review of the IT systems management of SAP, for example in respect of the control of user rights and authorizations.

Progress had also been made in other areas, through the work undertaken to allow secure, properly controlled remote access to the system so as to allow staff to manage their budgets while out of the office, and as part of the disaster planning for the Organization. In respect of the latter, emphasis was on ensuring the integrity of the Organization's systems before taking such a step.

So far as the financial picture was concerned, some tangible benefits had already been derived from the system, as he had previously reported, and the expenditure for 2004 and 2005 in Financial Services, in particular, had been lower than would otherwise have been the case because of the savings made. Many of those were reflected in direct reductions in the 2006/2007 budget proposals submitted to the Council for review, while others had been realized through reallocation of resources, as originally envisaged. As outlined in document C 94/4(a), a further saving had been achieved by reducing the central team responsible for supporting SAP and by emphasizing the role of the "super-user" network in providing front-line support. That was expected to improve the level of skills and understanding across the Organization in the medium term, and to maintain the existing levels of support.

It was clear that the investment of time and resources in SAP had provided a solid, forward-looking platform and a fundamental reappraisal of the Organization's administrative processes. However, he reiterated that it was not a short- or even medium-term project, but one for the long-term good of the Organization, and that the challenge was to use the information provided by SAP to monitor and to take decisions involving the matching of resources against work programme delivery in an increasingly informed and flexible way.

Turning to the Change Management Programme, he reported that the closure of the production unit of the Publishing Service would be achieved on time, namely by the end of 2005. He had been concerned to ensure that the staff members affected should be redeployed to vacant positions, and was very pleased that Human Resources Services had acted wisely in placing all the staff concerned (except for three members who had opted for an early retirement) within the Organization's approved complement.

His immediate concern after the Assembly and in the New Year would be to ensure, in the context of the prospective refurbishment of the headquarters building, that an in-house implementation team was formed to manage the migration of the Secretariat to the Organization's temporary new offices in Victoria Street. The team would be based on the same model successfully adopted for ERP implementation, *i.e.* by drawing together in-house staff with functional responsibilities and an in-house project officer. The small team would be put together within existing resources. In addition, a professional contractor would be required to provide the necessary professional oversight of the Organization's investments in the project and to manage the logistics of the move. Needless to say, those costs would be absorbed within the prospective 2006-2007 budget and allocations.

Finally, he wished the Council to note that, in moving ahead with reforms, the Organization was running, in parallel with other initiatives, a series of workshops on performance management for supervisors and staff, with a view to introducing a new performance appraisal system from 2006.

Mr. OLIMBO (Italy) thanked the Secretary-General and his staff for the information provided on the post-implementation position and progress of the ERP system, and particularly on the benefits realized through the introduction of the system. His delegation took note and appreciated that the SAP system was now fully integrated into the Organization's processes and practices, and recognized that process reviewing was the only way to ensure that the system remained updated and workable in accordance with the changing needs of the Organization. His government felt that focus should be placed on such constants as the review process, and welcomed the use of internal resources to build up in-house expertise.

The CHAIRMAN invited the Council to note the information set out in document C/ES.23/4(a) and that provided orally by the Secretary-General; to note and welcome the progress made in the implementation of the ERP system and on the other reform initiatives forming part of the Change Management Programme; to welcome the ongoing efforts to derive maximum benefit from the Organization's ERP system; and to express its appreciation for the Secretary-General's continuing focus on organizational reforms and efficiency gains.

It was so decided.

The CHAIRMAN informed the Council that, pursuant to Article 20 of the IMO Convention and rule 4 of the Council's Rules of Procedure, the Dominican Republic and the United Republic of Tanzania were authorized to be present as observers.

It was so agreed.

The meeting rose at 12.30 p.m.