

COMMENTS ON FIVE -YEAR BUDGET 2003 – 2007
CONF.16/F/02 Rev.1

INCOME

Member States' Contributions

A prudent approach has been adopted in that income from contributions is based on the total number of shares corresponding to the IHO Member States (600 shares) ; no future Member States have been taken into consideration, and it is considered that, bearing in mind the difficulty that certain Member States have in paying their annual contribution, 20 shares, on top of the 8 shares corresponding to those Member States whose rights and privileges have been suspended, must be deducted from the total number of shares (thus giving a total of 572 shares).

For the first two years, a very limited increase in the unit share value is forecasted, by 1,9% each year.

Only a higher increase in the unit share value for the last three years is forecasted (between 2 and 3%), which constitutes a budget allowing for a low level of inflation which must remain controlled, so as to avoid having to ask Member States to formally vote on the need to increase the share value during the five-year period.

Sales of publications

The fact that the income from the sales of the I.H. Review has disappeared, as well as the adopted policy of making publications available in digital form (access to the Website in particular) have led to a sharp decrease in the volume of sales of publications; however, this income chapter is relatively small compared to the overall income.

Interest on investments

Economic prospects worldwide indicate that there should be a slowing down of economic growth, resulting in a controlled level of inflation, but also reduced, or indeed low, interest rate levels, (the Central American Bank has just recently, and on several occasions, reduced its basic rates).

Therefore, a cautious approach needs to be adopted as regards the level of this income, particularly once the Internal Retirement Fund (IRF) has been completely separated from the IHO assets. An average interest rate of 3.5% has been used in this Five Year Budget.

EXPENDITURE

Personnel costs

A possible increase in inflation cannot be excluded, and this is why a fluctuation of between 3% and 3.5% in salaries has been forecasted, (allowing 1% per year for promotions); this fluctuation stabilizes at 3.25% for the last two years of the five-year period.

The present number of employees, counting all categories, is 21 :

- 3 Directors who are to be elected
- 5 Category A Professional Assistant posts, which will be maintained.

- 13 Category B and Category C posts; it is planned to reduce this number to 11 required posts:
 - 6 posts (technical activities)
 - 5 posts (administrative activities)

Some retirements are already scheduled and certain Category B staff members will not be replaced.

These planned staff reductions have not been taken into account in these budget estimates and will be taken into consideration as and when the restructuring of the Bureau's activity comes into effect.

When these staff reductions have been made, their impact will be reflected in the level of contributions requested from Member States; this will affect the contributions for the years 2005 to 2007, in particular.

It is hoped and anticipated that 2003 will be the last year when the IHO will need to support the Internal Retirement Fund (i.e. paying annual pensions out of the working capital), and the following year, save exceptional circumstances, the fund should be self-financing up to the last retirement forecasted in 2018; it is nevertheless planned to slightly increase the working capital so that it may support the IRF in case of any passing difficulties, resulting, for example, from a temporary slump in the money markets.

From 2004 onwards, the accumulated funds should be sufficient to pay all pensions.

Current operating expenses

The 3 main items of this chapter are :

- maintenance costs of the offices and telecommunication costs;
- travel costs to allow participation in meetings and working groups; this item is particularly exposed to the fluctuation of currencies, other than the Euro (mainly the US dollar).
- consultants contracts, (the use of consultants, as a complement to the permanent staff in place, seems to be a mode of operation which is going to develop); an increase in the use of contracted consultants is forecasted which provides a certain flexibility as expenses may be reduced if necessary.

Furniture acquisitions and investments

Funds will be gradually built up in the equipment budget item (mainly for IT), so as to respond to the concerns expressed by Member States that the IHB should better follow technological developments, an area in which they had noted a certain lagging behind or even inadequacy.

Specific Fund Provisions (Renovation Fund, Conference Fund, change-over of Directing Committee)

These provisions are strongly linked to the holding of Conferences and only one two-week conference has been counted during the five-year period. However, if it is confirmed that conferences will be held more frequently, and in order to take into account various options as regards the premises and associated services proposed by the Conference Organizers in Monaco, extra provision has been made at the end of the budget period, in the form of a partial allocation of the annual surplus.

EFFECT ON CAPITAL

Annual balanced budget

An annual balanced budget has been sought for the whole period 2003–2007 ; as and when the annual budget progresses, it will be possible to make adjustments to adapt to the activities already undertaken or planned for the future.

Working capital concept

The working capital concept, as it exists in the present Financial Regulations, implies having permanently available a minimum level of, at least, 50% of the total of the Member States' contributions; it will be noted that the appreciation of this working capital presupposes that, to be converted into cash, all contributions remaining due are paid before the end of the budgetary period, which has never been seen.

Over the 5 year period, the working capital ratio remains below 50% and is maintained at around 40%.

In the light of the report of the Group of financial experts, which was created in 2000 by decision of the Extraordinary I.H. Conference, it is now clear that what is really important for the IHO, is that the Organization is permanently in a position to meet its financial obligations, irrespective of when the contributions are paid.

Annex to Comments on Five-Year Budget

COMPARISON OF IHO POSTS (A6) AND UN POSTS (P-3.1)

Two Conference Decisions (Decision No. 54 of the 1992 I.H. Conference and Decision No. 52 of the 1997 Conference) decided that Professional Assistants' posts should be aligned on the U.N. system as follows:

- the net base salary of level P3, step 1 for a civil servant with a dependent (i.e. US\$ 59,255) ; this amount is net of income tax and of pension contributions.
- the Post Adjustment for Monaco, the rate of which varies each month, which is aimed at compensating the cost of living differential between Monaco and New York, as well as taking into account the fluctuations in the rate of exchange of the US Dollar against the French franc/Euro. (This Post Adjustment rate was 15.5% on 1st September 2001).
- The rate of exchange US dollar/local currency (French franc/Euro), the fluctuations of which have to be accounted for, is applied to this Post Adjustment rate.

The implementation of this alignment was not approved by the 1997 I.H. Conference which considered that the difference was not sufficient to merit a readjustment.

On the other hand, in the case of the IHO, for the same posts the following is taken into account :

- the basic salary, the 5% allowance specific to Monaco and the annual bonus, and in order to be consistent, the following deductions are applied :
 - IHO internal tax
 - contributions to pension schemes(these are deducted from the net basic salary in the United Nations system).

At present this situation results in a financial loss for all of the personnel.

If it was now decided to implement this alignment, this would mean that new salary indices would have to be calculated for the Category A posts.

As a comparison :

- for a post at level P-3.1 at the United Nations, and based on the US Dollar at 7.2155 French francs :
 - gross annual salary would be US\$ 61,730, i.e. 445,413 French francs or 67,903 Euro
 - net salary (net of income tax and pension contributions) would be US\$ 49,756, i.e. 359,014 French francs or 54,735 Euro
 - and the pensionable salary base would be US\$81,496, i.e. 588,034 French francs or 89,645 Euro.
- for a post at level A6 at the IHO, the equivalent data are the following :
 - a gross annual salary of 400,987 French francs /61,130 Euro
 - a salary, net of income tax and pension contributions, of 327,179 French francs/49,878 Euro

- a pensionable salary base reduced to 318,431 French francs/48,544 Euro (90% of the basic salary alone, without taking into account the 5% Monaco allowance nor the annual bonus).

The IHB Directing Committee considered this matter and did not judge it necessary, in light of the information provided, to apply this readjustment nor to reflect the financial repercussions in the Five-Year Budget for the period 2003-2007.

This approach has been dictated by a concern for fairness that would require the same adjustment to be applied to the Directors and to the other categories of the Bureau personnel. Such a decision would have a significant financial impact which does not conform with the policy of controlling expenditure.

The financial repercussions of this alignment – adopted in 1992, but not applied since, and in spite of the fact that it is a measure of a permanent nature – have not been taken into account in the five year budget for the period 2003-2007, which is based on the idea of pursuing activities under the present conditions, and only allows for fluctuations in the cost of living.

As for the IHO Finance Officers Committee, they believe that this matter should be submitted to the Finance Committee and to the Conference for further examination and consideration.

Decision No. 54 of the XIVth I.H. Conference (1992)

FINANCE COMMITTEE WORKING GROUP REPORT ON TERMS AND CONDITIONS OF SERVICE OF THE DIRECTORS AND STAFF OF THE IHB (CONF.14/F/05)

“The Conference approved the following recommendations of the Finance Committee WG Report on the Terms and Conditions of Service of the Directors and IHB:

Para. 11.6 – Salaries for Category A Staff

The 6th point on the IHB Cat. “A” salary scale (the normal entry point for an experienced and suitably qualified Professional Assistant) should be set at the 1st point on the scale applicable to a UN analogue currently serving in Monaco (i.e. P 3.1) as at 1st July 1992 and the IHB Cat. “A” scale adjusted for its whole length pro-rata.

In this aligning, the special Monaco 5% allowance and a 13th-month bonus should be taken into account.”

Decision No. 52 of the XVth I.H. Conference (1997)

REPORT OF THE SUB-COMMITTEE ON TERMS AND CONDITIONS OF SERVICE OF THE DIRECTORS AND STAFF OF THE IHB (CONF.15/F/05) and (CONF.15/F/05 Add.1)

“It was decided to approve the following recommendations of the Sub-Committee:

Para a - Salaries for Directors

No increase in level before the next I.H. Conference.

Para b - Salaries for Categories A Staff

Although there was a gap between remuneration for Category A personnel and that of United Nations personnel with similar qualifications, it was not judged large enough to require an adjustment.”

INTERNATIONAL HYDROGRAPHIC ORGANIZATION				ORGANISATION HYDROGRAPHIQUE INTERNATIONALE			
ZERO REAL GROWTH APPROACH							
BUDGET ESTIMATES FOR 2003 – 2007				PREVISIONS BUDGETAIRES POUR 2003 - 2007			
TABLE I - INCOME (Euros)				TABLEAU I - RECETTES			
CHAPTERS -CHAPITRES		Revised 2002	Proposed 2003	Proposed 2004	Proposed 2005	Proposed 2006	Proposed 2007
	Rate of increase in share value (%)	0.00	0.00	0.00	2.50	2.90	3.00
	Number of Shares (2002 base)	576	593	593	593	593	593
	excluding Suspended Member States	13	8	8	8	8	8
	Unit value of share (Euros)	3,906.35	3,906.35	3,906.35	4,004.01	4,120.13	4,243.73
	A. CONTRIBUTIONS	2,250,060	2,316,468	2,316,468	2,374,379	2,443,236	2,516,533
	Contributions						
	B. SALES OF PUBLICATIONS	7,622	7,775	7,969	8,188	8,434	8,708
	Ventes de publications						
	C. ADVERTISEMENTS IN PUBLICATIONS	0	0	0	0	0	0
	Annonces dans les publications						
	D. INTEREST ON BANK ACCOUNTS	18,294	16,110	16,110	16,110	16,110	16,110
	Intérêts sur comptes en banques						
	E. EXTRAORDINARY INCOME (GEBCO)	7,165	7,394	7,622	7,851	8,080	8,308
	F. INTERNAL TAX - Taxe interne	119,535	108,470	106,313	109,768	113,610	117,303
	TOTAL ESTIMATED INCOME	2,402,676	2,456,217	2,454,482	2,516,296	2,589,470	2,666,962

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INTERNATIONAL HYDROGRAPHIC ORGANIZATION			ORGANISATION HDYROGRAPHIQUE INTERNATIONALE				
			ZERO REAL GROWTH APPROACH				
BUDGET ESTIMATES FOR 2003 – 29007			PREVISIONS BUDGETAIRES POUR 2003 - 2007				
TABLE II – EXPENDITURES (Euros)			TABLEAU II - DEPENSES				
	Revised 2002	Proposed 2003	Proposed 2004	Proposed 2005	Proposed 2006	Proposed 2007	
CHAPTERS – CHAPITRES							
I.	PERSONNEL COSTS : (Salaries, IRF Pensions, Allowances, retirement contributions, insurance, external plans, etc..) DEPENSES DE PERSONNEL : (Salaires, allocations, assurances Pensions et plans de retraite externes, etc.)	1,691,748	1,705,611	1,715,058	1,768,239	1,823,429	1,881,577
II.	CURRENT OPERATING COSTS : (Office and equipment Maintenance, technical assistance, Consulting, Stationery, training, post & telephone, transport, custom fees, travel, bank charges, auditing fees, publications costs and unforeseen expenses & loses) DEPENSES DE FONCTIONNEMENT : (Entretien, papeterie, impressions, poste et télécommunications, frais de banque, rémunération du vérificateur et consultants, publications et dépenses imprévues)	470,336	483,484	498,295	514,336	530,898	548,002
	Sub Total	2,162,084	2,189,095	2,213,353	2,282,575	2,354,327	2,429,579
III.	CAPITAL EXPENDITURE : IT Equipment, materiel informatique Office equipment, documentation, Mobilier, documentation Bibliothèque	53,662	78,817	84,152	89,488	94,823	100,159
IV.	PRINTING FUND – Fonds d'impression	10,671	6,098	6,098	6,098	6,098	6,098
V.	RENOVATION FUND – Fonds de rénovation	7,622	1,524	1,524	1,524	1,524	1,524
VI.	CONFERENCE FNDS – Fonds pour les Conférences	60,980	68,602	62,504	56,406	50,308	44,210
VII.	REMOVAL OF DIRECTORS' GOODS – Déménagement du mobilier des directeurs	48,784	30,490	29,728	28,965	28,204	27,441
	TOTAL ESTIMATED EXPENDITURE	2,343,803	2,374,626	2,397,359	2,465,056	2,535,284	2,609,011
							282,031
							70,508
							141,015
							296,132
							437,148
							155,117

**Annex II to the Five-Year Budget of the IHO 2003-2007
Category A Submission**

**FIVE-YEAR BUDGET OF THE IHO 2003-2007
CONF.16/F/02 Add.2**

**SUBMISSION BY THE IHB CATEGORY A STAFF TO THE CHAIRMAN OF
THE FINANCE COMMITTEE**

Transmitted through the IHB Directing Committee

Note: A synthesis of all official texts related to this submission has been prepared and can be made available on request.

Alignment of Cat A salaries

1. The Category A staff is very concerned about the statements made under the heading "COMPARISON OF IHO POSTS (A6) AND UN POSTS (P-3.1)" which are annexed to the document CONF.16/F/02.

The comparison of salaries for Category A shows a significant difference of nearly 10% of net salary, i.e. 4853 € per annum, between IHO level A6 and UN level P-3.1, at the detriment of Category A staff.

Although the principle of aligning IHO/A6 with UN/P-3.1 is recognized as permanent in this annex, it is stated that the IHB Directing Committee did not judge necessary to apply this readjustment, on the grounds that it would be unfair to the Directors and other IHB staff members, and that it would have a significant financial impact.

2. The Category A staff wants to make the following remarks:

- The 1992 IH Conference, by its Decision No 54, approved the alignment of the Category A salary scale (6th point) with that of an UN analogue (i.e. P-3.1) serving in Monaco. This was subsequently reflected in IHB Staff Memo 17/1992. However, for some reason, this regrettably never materialized in the IHO Staff Regulations. At the same time, that Conference rejected a proposed alignment of Directors' salaries with UN level D-1.3.
- The 1997 Conference, in its Decision No 52 based on the "MacPhee Subcommittee" report (see below), stated that at that time, "*Although there was a gap between remuneration for Category A personnel and that of UN personnel with similar qualifications, it was not judged large enough to require an adjustment.*" In 1997 the difference amounted to about 2400 € per annum.
- Prior to the 1997 Conference, a Subcommittee considered the Terms and Conditions of work of the IHB staff (called "MacPhee Subcommittee"). One of its conclusions (see page 437 paragraph 4.2; Vol. 2 of Proceedings 1997) was implemented, after that Conference, in Article IV.1.1 (c) of the Staff Regulations as follows: "*All salaries (including those of Directors) will be adjusted in accordance with the evolution of salaries of Civil Servants in Monaco, and will be reviewed at the midpoint between the Conferences and the result reported to the Conference 6 months before.*" Information on aligning Cat A salaries, as well as any new proposal affecting salaries for Directors and other IHB staff members, should therefore have been submitted to the XVIth Conference in this mandatory report. Failure in

accomplishing this exercise does not justify the refusal to align Cat A salaries, based on the "concern for fairness" mentioned in the Annex to Conf.16/F/02.

- General principles governing IHB salaries are laid down in Article IV.1.1 (a) of the Staff Regulations, which states: *"That in the case of Directors and Category A staff they be established and maintained at levels of other comparable international organizations."*
- The Official Report of the International Civil Servants Commission (1994) stated that the Category A posts correspond to UN level P-4 and not P-3. This matter has also been addressed during a Joint Staff Consultative Committee meeting. The Chairman of the meeting responded that, although he was in principle in favour of an adjustment with P4, this issue should be passed to the Finance Committee for consideration. To date, the Category A staff has not received any answer.

3. Conclusions:

- The review of salaries at midpoint between Conferences has not been carried out and thus no results could be reported to the Conference 6 months before. In the opinion of the Category A staff, this constitutes a serious negligence which results in considerable disadvantages for the staff.
- The attitude of the IHB Directing Committee seems solely dictated by the policy of controlling expenditure thus disregarding staff welfare. The Category A staff would expect a more balanced approach.
- The Category A staff requests that their salaries be maintained in alignment with analogue UN posts, in accordance with Conference decisions, with effect from 1st October 1999 (Mid-point between the 1997 and 2002 Conferences).
- The Category A staff requests that the Staff Regulations be amended to reflect Decision 54 of the 1992 Conference and IHB Staff Memo 17/1992 in a new article IV.1.4. A recommended wording is in Appendix 1.
- The Category A staff requests that this paper, and any other additional relevant documentation, be brought to the attention of the Conference, together with the mentioned Conference Document CONF.16/F/02 "2003-2007 budget"

Appendix 1

IHO STAFF REGULATIONS

New Article on Cat A Salaries

IV.1.4 Category A Staff

The 6th point on the IHB Cat. A salary scale is set at the 1st step on the UN salary scale P3, as applied to Monaco, and the IHB Cat. A scale adjusted for its whole length pro-rata. In this aligning, the special Monaco 5% allowance and a 13th-month bonus are taken into account.

The maintenance of the alignment is carried out in accordance with the dispositions laid down in article iv.1.1 (c).

Annex III to the Five-Year Budget of the IHO 2003-2007

CONF.16/F/02 Add.3

COMPARISON OF IHO POSTS (A6) AND UN POSTS (P-3.1)

(Response from the Directing Committee to the claim from Category "A")

The Directing Committee was required, in terms of Decision 52 of the XVth IH Conference, to review the decision to delay the implementation of Decision 54 of the XIVth Conference in 1992 to equate IHO category A, Post A6, to that of the United Nations Post P-3.1. This was to be done midway between Conferences and Member States were to be advised of the decision of the Directing Committee six months before the next Conference. With the exception of the fact that the Directing Committee advised Member States of their decision 2 months before the Conference and not 6 months they feel that they have discharged their mandate in terms of their overall responsibilities and in accordance with the XVth Conference Decision. The Directing Committee decided to continue with Decision 52 of the XVth Conference to delay implementation.

The salary scales of all categories are reviewed annually and Director II, while still a Member of the Directing Committee, discussed the matter not only of Category A salaries but also that of the Directors and other staff members. He proposed that an independent assessment be made and that a recommendation be made to the XVIth Conference. In May 2000 Director II stated that the views of staff members would be obtained and, at that time, the views of a Category A staff member, generally supported by the other Category A staff, were received. Director II's assessment at that time was that if the envisaged adjustment to Category A staff was applied and then also the Directors' salaries were adjusted, then it would affect the budget by 1 000 000 FF. It was estimated that to achieve an equitable solution the IHB would have to request a budget increase in the region of 10% and as this could not be contemplated, Decision 52 of the XVth Conference to delay implementation was therefore supported until the next Conference when a complete review of salary scales could be undertaken.

In addition the consideration of implementing change had to be viewed against the background of the serious financial implications of restructuring the Internal Retirement Fund. It was found necessary for this Fund to be contracted out and Member States were obliged to agree to a substantial reduction in the level of the IHB Working Capital for this to be achieved. In addition the staff structure of the IHB was under review and early retirement was, or will be, offered to four members of staff. While the concept of 'zero nominal growth' was not accepted by the Member States at the XVth Conference there were strong exhortations from Member States that the IHB endeavour to keep expenses at a reasonable level and, if possible, to reduce them. The 5-Year Budget to be presented to the XVIth Conference is a 'zero real growth' Budget.

In contrast to the statement contained in CONF 16./F/02 Add 2 Page 246 that the Category A Staff expected the introduction of the UN system to be part of a 'more balanced approach', such an introduction would create large inequity in salary scales between the Category A staff and the Directors, Category B and Category C staff.

At present the ratio between the various categories is as follows:

- a) the current average salary of a Category A staff member is 79% of a Director's salary.
- b) the current average salary of a Category B staff member (after the revision introduced by the IHB in 1998) is 58% of a Category A staff member and

- c) the current average salary of a Category C staff member is 53% of a Category B staff member.

Had we introduced the change in March 2002 the ratio would have been as follows:

- a) the average salary of the 5 Category A staff members would be 95.6% of a Director's salary and
- b) the current average salary of Category B staff members would be 49.5% of a Category A salary.

This would mean that nearly all Category A staff would receive salaries almost the same as those of the Directing Committee and there would be an enormous gap between the salaries of Categories A and B. This can hardly be considered equitable especially in view of the fact that the Category A staff were the only Category to receive a revised salary scale at the 1992 XIVth IH Conference.

The Directing Committee believes that it has acted correctly in accordance with the XVth Conference Decision 52 and in accordance with its overall mandate in referring this matter to the Finance Committee. The issue was also discussed by the Finance Officers Committee in November 2001 in the context of the 5-Year Budget and it was also agreed to refer the matter to the Finance Committee.

As the Directing Committee considers that the implementation of Decision 52 of the XVth Conference would lead to serious inequality in the salary scales of the IHB, the Finance Committee is requested to propose to the Conference that the entire consideration of salaries be reviewed by the Strategic Planning Working Group as a part of its task and that they report to the next IH Conference.
