

**Comment from the Secretariat on the proposal of a guaranteed minimum level of IHO Capacity Building Fund share as part of the IHO overall annual and three-year budget as annexed to the IRCC-Report C3-04.2A Annex B**

1. The proposal submitted by the CSBC chair and included into IRCC report recommends that the Council endorse the amount of 300.000 € as a guaranteed minimum level of IHO Capacity Building Fund share to be incorporated into the annual budget of 2020 and the three-years-budget proposal 2021 – 2023 and submit it for Assembly approval.
2. The Secretariat wishes to provide some background information about the amount of the CB Fund held in the previous years before explaining options to accommodate this proposal, which is currently not covered by the proposed IHO Budget for 2020 (C3-05.3A).
3. The level of CB funding shows a general increase since its establishment in 2007. The available annual amount was composed of a budgeted share based on the approved annual budget, the surplus from the previous year, additional funding out of the surplus made by the IHO Secretariats operations and substantial contributions made by the Republic of Korea.
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	IHO Budget Allocation	Total IHO Allocation	ROK	Total CB-Fund	Expenditure	%
2018	206 000	310 582	376 385	686 967	668 462	97
2017	160 000	300 746	171 619	472 365	404 031	86
2016	45 000	288 405	280 200	568 605	538 707	95
2015	45 000	192 332	546 430	738 762	498 536	67
2014	45 000	230 144	228 100	458 244	346 518	76
2013	140 628	40 500	372 100	412 600	393 933	83
2012	55 000	114 975	401 210	516 185	366 510	71
2011	55 000	174 550	314 885	489 435	289 889	59
2010	65 000	243 880	76 000	319 880	202 326	63
2009	70 000	187 582	107 200	294 782	158 205	54
2008	70 000	146 067	128 200	274 267	90 248	33
2007	64 000	104 000	77 500	181 500	93 779	52

5. Since the installation of the CB-Fund, Member States decided each year to top up the CB-Fund allocations from the budget surplus from the previous year, as proposed by the Secretariat. However, this mechanism cannot be guaranteed since there are uncertainties with the payment moral of the Member States, increasing operational costs through inflation, raise of cost for medical insurance and low interest rates on bank accounts. The precise amount to be placed on capacity building activities in addition to the confirmed budget can only be decided on an annual basis for the situation at hand.

6. The overall amount of the proposed budget for 2020 is 3.494.724 € [This amount will be available on the assumption that all Member States pay their contributions throughout the year].
7. The overall costs of the IHO Secretariat including personnel costs (Chapter I of C3-05.3A: wages, medical insurance for active and retired staff and provisions of pensions etc.), operational costs (Chapter II of C3-05.3A: communication, publication, travel), Capital Expenditure (Chapter III of C3-05.3A) and Asset Allocation (Chapter IV of C3-05.3A) amount to a total of 3.254.500 €.
8. The remaining amount of investments into funds is 238.200 € (Chapter V of C3-05.3A). C3-05.3A proposes the following split:

GEBCO Fund	8.200
GEBCO SCUFN Gazetter	10.000
Assembly Fund	20.000
Capacity Building Fund	130.000
Special Project Fund	40.000
Internal Retirement Fund	30.000

9. As the table indicates there is not much room left to manoeuvre within Chapter V to accommodate the requested guaranteed minimum level of 300.000 € p.a. for the CB-Fund. The only substantial relocation would potentially be the share of the Special Project Fund that is nominally designated to costs of external development support for Work Programme II – Hydrographic Services and Standards. Since technical standardization remains a main target of the IHO and needs this sort of external support, the Secretariat does not recommend such a reallocation of funding.
10. Chapters I, II, III and IV do not offer substantial flexibility through reductions to add to the level of the CB-Fund by a reasonable amount.
11. The only viable option to maintain the desired minimum level of 300.000 € for the CB-Fund would be to cover the gap of 170.000 € through the increase of Member States contributions.
12. Under the assumption of a steady but slow growing number of Member States and the stability of the tonnage figures of the world fleet in service, which results in an income of approximately 3.500.000, an increase in contributions of approximately 4% would be required. Such an increase could be applied in steps of 1% p.a. until the desired level is reached. Under such a step up approach the request of CSBS could be covered in 2025 if approved by the 2nd Assembly.
13. Another option would be a review of the CB policy in order to measure the efficiency of the activities conducted and to identify cost savings to reduce the requested minimum level of coverage