



THIS CIRCULAR LETTER REQUIRES YOU TO VOTE

IHB File No. FO/599/01

**CIRCULAR LETTER 05/2014
08 January 2014**

PROPOSED IHO RESOLUTION ON GUIDING PRINCIPLES FOR IHO FUNDS

Reference: IHO FCCL 3/2013 dated 25 October - Finance Committee Officers' Meeting,
14 October 2013, IHB.

Dear Hydrographer,

Introduction / Background

1. Over the years, the IHO has established various funds in order to best meet its objectives and the achievement of the Work Programme.
2. Article 18 of the Financial Regulations of the IHO makes provision for an emergency reserve fund. According to Article 18, the emergency reserve fund is exclusively designed ... *to enable the Organization to meet extraordinary expenditure. It can only be used in exceptional circumstances.*
3. In addition to the emergency reserve fund, other funds have been created for specific, recurring, but non-annual events whose costs cannot easily be managed or met by the annual operational budget process. These funds are intended to cover such things as :
 - funding for IH Conferences,
 - the relocation of Directors at the commencement of each new Directing Committee and the relocation of Assistant Directors that occur from time to time, major renovations in the IHB,
 - printing and maintenance of the IHO Presentation Library (part of S-52), and
 - the legacy, internally funded, pension scheme for IHB employees.
4. Additionally, other funds have been created that provide flexibility in how they are financed, and provide long term confidence in delivering against their objectives. Funding for the IHO Capacity Building Programme and the IHO-IOC GEBCO project are examples.
5. Maintaining these various funds provides the ability to support such things as expensive one-off projects, expenditures exceeding the possibilities of the annual budget, or simply to guarantee the sustainability of an activity or the organisational structure itself.
6. In all cases, the funds have been approved by Member States, are audited and then monitored on a regular basis by the Finance Committee Officers' Meeting and presented to Member States as part of the IHO budget and governance process. However, until now, there has been no consolidated guidance on the purpose for the funds or on the principles of operation and governance for them.

Proposed Resolution on the Guiding Principles for Operating IHO Funds

7. Until now, various aspects of the operation of the funds have been based on historical precedent rather than specific guidance. The Directing Committee proposes an IHO Resolution to provide such guidance on the practices and procedures that should govern the operation of the various funds operated by the IHB on behalf of the IHO. The Resolution, if adopted, would be included in Section

1.2 - Finance of M3 - Resolutions of the IHO. A copy of the proposed Resolution is set out in Annex A.

Proposed Closure of the Printing Fund

8. In reviewing the operation of the various funds of the IHO, the Directing Committee has concluded that the Printing Fund is no longer required for its original purpose.

9. The Printing Fund was created in 1980 to cover the variable expenses of maintaining an in-house printery. The printing load varied from year to year depending on how many Conferences and meetings were held in any particular year. The Printing Fund covered expenses such as the purchase or replacement of expensive printing and photographic equipment and the variable requirements of printing and paper supplies.

10. By the turn of the century, the IHB had moved from traditional offset printing to cheaper desktop publishing. Traditional printers have now been replaced by digital printers leased from a commercial supplier and are funded from the annual budget. The volume of printing has also been reduced as more and more documents are published and distributed digitally. As a result, no allocation has been made from the annual budget to the Printing Fund since 2008. No withdrawals from the Printing Fund have been made since 2005.

Transfer of Balance of Printing Fund to IRF

11. The Directing Committee proposes that the Printing Fund be closed and the balance (~74k€) be transferred to the Internal Retirement Fund (IRF). The latest actuarial forecast shows that the IRF will require the input of approximately this amount over the next three years in order to meet its liabilities. Thereafter, the forecast indicates that if the currently relatively low rates of interest and inflation continue, then the liability on the IRF should progressively reduce as the number of dependents reduces over the years. This will mean that the current requirement to regularly transfer funds from the operational budget to the IRF should cease or become relatively smaller in the longer term. This, in turn, will provide positive benefits for the operational budget in future years.

Proposal Endorsed by the Finance Committee Officers

12. As indicated in the Reference, the proposed Resolution and closure of the Printing Fund was discussed and endorsed by the Finance Committee Officers at their meeting in October 2013.

Action Required

13. Member States are invited to consider and vote on the draft Resolution provided in Annex A and to agree that the Printing Fund be closed and the balance be transferred to the IRF.

14. Noting that there are budgetary implications associated with this proposal, a two-thirds majority of IHO Member States is required for its adoption. Responses are requested **no later than 8 March 2014**. A Voting Form is provided in Annex B.

On behalf of the Directing Committee

Yours sincerely,



Robert WARD
President

Annex A: Proposed Resolution - Guiding Principles for IHO Funds

Annex B: Voting Form

PROPOSED RESOLUTION - GUIDING PRINCIPLES FOR IHO FUNDS

IHO Resolution xx/YYYY

GUIDING PRINCIPLES FOR IHO FUNDS

1. Purpose

1.1. The purpose of this Resolution is to describe the practices and procedures that govern the operation of the various funds operated by the IHB on behalf of the IHO.

2. Introduction

2.1. Over the years, the IHO has established various funds in order to best meet its objectives and the achievement of the work programme.

2.2. Article 18 of the Financial Regulations of the IHO makes provision for an emergency reserve fund. According to Article 18, the emergency reserve fund is *exclusively designed ... to enable the Organization to meet extraordinary expenditure. It can only be used in exceptional circumstances.*

2.3. In addition to the emergency reserve fund, other funds have been created for specific, recurring, but non-annual events whose costs cannot easily be managed or met by the annual operational budget process. These funds are intended to cover such things as funding for IH Conferences, the relocation of Directors at the commencement of each new Directing Committee and the relocation of Assistant Directors that occur from time to time, major renovations in the IHB, printing and maintenance of the IHO Presentation Library (part of S-52) and the legacy internally funded pension scheme for IHB employees.

2.4. Additionally, other funds have been created that provide flexibility in how they are financed, and provide long term confidence in delivering against their objectives. Funding for the IHO Capacity Building Programme and the IHO-IOC GEBCO project are examples.

2.5. Maintaining these various funds provides the ability to support such things as expensive one-off projects, expenditures exceeding the possibilities of the annual budget, or simply to guarantee the sustainability of an activity or the organisational structure itself.

2.6. In all cases, the funds have been approved by Member States, are audited and then monitored on a regular basis by the Finance Officers' Meeting and presented to Member States as part of the IHO budget and governance process.

3. Use of Budget Surpluses

3.1. Recent studies have shown that in these days of global economic crisis, not-for-profit organizations that rely on a fixed subscription income, such as the IHO, should not avoid a budget surplus at the end of each year, but should actually aim towards that objective, in order to enable reserve funds, which could be essential for their longer term survival.

3.2. Maintaining a reasonable surplus is now considered good and safe management practice, especially for organizations like the IHO that are dependent on fixed contributions that could be withheld if some Member States face increasing economic and financial difficulties.

3.3. The existence of various dedicated funds enables any budget surpluses to be transferred to those funds, thereby providing an additional cushion against short-term reductions in income that may be encountered. Seeking to run a budget surplus has been the practice in the IHO for at least the last decade.

4. IHO Funds

4.1. GEBCO Fund

4.1.1. Description

- 4.1.1.1. The GEBCO Fund opened in 2002, using the proceeds from the celebration of the centenary of the GEBCO Project. Its purpose is to support the expenses of outside experts, within the framework of their participation in the GEBCO project.
- 4.1.1.2. Since 2007, the annual subsidy received from the Principality of Monaco has been added to the fund. Receipts of sales of the publication "*The History of GEBCO*" are also allocated to this fund.
- 4.1.1.3. Since 2009, the GEBCO Fund has received an additional allocation from the IHO annual budget, as agreed in the budget by Member States.
- 4.1.1.4. Other organizations may provide financial support the GEBCO Project from time to time. Donated funds will be included in the GEBCO Fund but may be maintained and managed separately, according to any terms and conditions mutually agreed between the IHO and the donor organisation at the time of the donation.

4.1.2. Expenditure that can be covered by the GEBCO Fund:

- 4.1.2.1. Travel expenses and per diem in connexion with GEBCO activities;
- 4.1.2.2. Contract support for maintenance and development of the GEBCO website;
- 4.1.2.3. Contract support for maintenance, updating and development of the GEBCO gazetteer and other GEBCO products;
- 4.1.2.4. Administrative support for the management of the GEBCO Fund
- 4.1.2.5. Costs associated with GEBCO promotional items.

4.1.3. Expenditure Approval Requirements

- 4.1.3.1. Expenditures are normally planned by the IHB, based on proposals from the IHO-IOC GEBCO Guiding Committee, together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).
- 4.1.3.2. A specific procedure is being drafted by the GEBCO Guiding Committee.

4.2. Capacity Building Fund

4.2.1. Description

- 4.2.1.1. The Capacity Building Fund was created in 2005. It is governed by IHO Resolutions 4, 5, 6 and 7/2004, as amended.
- 4.2.1.2. The Fund has been established to underpin the IHO Capacity Building Programme.
- 4.2.1.3. The Capacity Building Fund is supported by:
 - 4.2.1.3.1. an annual contribution from the IHO Budget, as approved by Member States; and
 - 4.2.1.3.2. donations made by governments, other international organizations, funding agencies, public or private institutions, associations or private individuals in support of IHO Capacity Building initiatives.
- 4.2.1.4. Contributions earmarked for a specific capacity building initiative may also be received.
- 4.2.1.5. The funding of large projects is considered an activity for specialized agencies and not the IHO.

- 4.2.1.6. Other organizations may provide financial support the IHO Capacity Building Programme from time to time. Donated funds will be included in the Capacity Building Fund but may be maintained and managed separately, according to any terms and conditions mutually agreed between the IHO and the donor organisation at the time of the donation.

4.2.2. Expenditure that can be covered by the Capacity Building Fund:

- 4.2.2.1. Travel expenses, including fares, accommodation and per diem of participants attending CB courses and activities as set out in the CB Programme;
- 4.2.2.2. Course materials, such as textbooks or reference guides, etc.;
- 4.2.2.3. Local transportation is usually under the organizers' responsibility, unless it is requested and approved by the CBSC;
- 4.2.2.4. Administrative support for the management of the CB Fund;
- 4.2.2.5. Consultancy in relation with CB.

4.2.3. Expenditure Approval Requirements

- 4.2.3.1. The allocation of funds follows a procedure established by the CBSC. Proposals are screened by the relevant Regional Hydrographic Commissions and given a priority. At its annual meeting the CBSC considers bids and develops a rolling CB Work Programme, taking into account the state of the CB Fund. The CBSC decides on priorities and amounts to be allocated to each approved project. This is based on the parameters and procedures established by the CBSC.
- 4.2.3.2. Funds not used within the calendar year remain in the Capacity Building Fund to be used in support of future Capacity Building activities identified in the IHO Work Programme.

4.3. Renovation and Enhancement Fund

4.3.1. Description

- 4.3.1.1. The Renovation and Enhancement Fund is intended to cover any major expenses required for the renovation and upkeep of the IHB infrastructure and premises.
- 4.3.1.2. An allocation to this fund is normally made annually from the operating budget, as approved by Member States.

4.3.2. Expenditure that can be covered by the Renovation and Enhancement Fund:

- 4.3.2.1. Refurbishing of all spaces in the IHB, including offices, hallways, conference room, chart room, kitchen and toilets;
- 4.3.2.2. Replacement of floor coverings and blinds;
- 4.3.2.3. Erection and modification of internal partition walls, doorways and openings;
- 4.3.2.4. Block renewal of furniture.
- 4.3.2.5. The purchase/replacement of assets (such as office equipment and administration software) and associated training and implementation costs.

4.3.3. Expenditure Approval Requirements

- 4.3.3.1. Expenditures are normally planned by the IHB together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

4.4. Presentation Library Fund

4.4.1. Description

- 4.4.1.1. This fund was created in 1997 to enable the maintenance of the digital version of the publication INT 1, named "*IHO Presentation Library for ECDIS*" (part of S-52). Unlike other

IHO publications, the Presentation Library relies entirely on contractor support for its maintenance. Maintenance is required on an irregular basis. The fund is supported entirely by the sale of the Presentation Library.

4.4.2. Expenditure that can be covered by the Presentation Library Fund:

- 4.4.2.1. Contract support for the maintenance of the IHO Presentation Library;
- 4.4.2.2. Contract support for the development of S-100 base portrayal standards and tools;
- 4.4.2.3. Logistics, travel expenses and per diem for expert contributors to attend meetings dealing with portrayal issues.

4.4.3. Expenditure Approval Requirements

- 4.4.3.1. Expenditures are normally planned by the IHB, based on proposals from the IHO Hydrographic Services and Standards Committee, together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

4.5. ABLOS Conference Fund

4.5.1. Description

- 4.5.1.1. This fund was created, in effect, in 1999 to cover expenses related to the Advisory Board on the Law of the Sea (ABLOS) Conference that takes place every two years.
- 4.5.1.2. The fund is supported by registration fees for the Conference. The fund covers the specific expenses for this event (in particular speakers' expenses), the balance remaining available for the organization of the following Conference.
- 4.5.1.3. An additional seminar "*ABLOS Tutorials*" can be supported by the fund.

4.5.2. Expenditure that can be covered by the ABLOS Conference Fund:

- 4.5.2.1. Travel expenses and per diem for speakers and tutorial leaders;
- 4.5.2.2. Office supplies;
- 4.5.2.3. Overtime for IHB staff;
- 4.5.2.4. Transport of equipment when venue is not the IHB premises;
- 4.5.2.5. Hiring of equipment as necessary;
- 4.5.2.6. Caterers costs for the reception;
- 4.5.2.7. Any miscellaneous costs in connection with the Conference;
- 4.5.2.8. Travel expenses and per diem in connection with ABLOS activities when funds in excess of 3,000 Euros remain after all expenses for a seminar / conference have been settled.

4.5.3. Expenditure Approval Requirements

- 4.5.3.1. The ABLOS Conference Fund is operated according to the guidelines annexed to ABLOS Rules of Procedures.

4.6. Conference Fund

4.6.1. Description

- 4.6.1.1. The Conference Fund was established after the Conference of 1967, by introducing, an annual variable contribution from the annual budget to cover the increasing expenses of conferences and similar type events (see page 519 of the English and French reports of the Conference of 1972).
- 4.6.1.2. Before this date, the Conference expenses were included in the budget for the year of the Conference, with sometimes a reduced sum assigned in the previous year for preparations.

4.6.1.3. The objective of this fund is to more evenly distribute the annual load on the IHO budget.

4.6.2. Expenditure that can be covered by the Conference Fund:

4.6.2.1. Office supplies;

4.6.2.2. Interpreters/Translators;

4.6.2.3. Précis writers;

4.6.2.4. Overtime for IHB staff;

4.6.2.5. Transport of equipment;

4.6.2.6. Acquisition, hiring and installation of audio-visual equipment;

4.6.2.7. Acquisition, hiring and installation of photocopying equipment;

4.6.2.8. Acquisition, hiring and installation of supplementary computer/IT services;

4.6.2.9. Installation of the exhibition;

4.6.2.10. Caterers costs for the reception and coffee breaks;

4.6.2.11. Other miscellaneous costs in connection with the Conference ("Conference" to be replaced with "Assembly" when the Assembly is established).

4.6.3. Expenditure Approval Requirements

4.6.3.1. Expenditures are normally planned by the IHB together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

4.7. Relocation Fund

4.7.1. Description

4.7.1.1. The 1997 Conference agreed the establishment of the Relocation Fund to support the cost of relocation of Directors and Assistant Directors at the beginning and end of their periods of service. Previously, this expenditure was met from the annual budget in the year of occurrence. This had the effect of destabilizing the budgetary presentations (see page 408 of the Conference report of 1997).

4.7.1.2. Chapter VIII of the Staff Regulation sets out the terms and conditions for the payment of relocation expenses.

4.7.2. Expenditure that can be covered by the Relocation Fund:

4.7.2.1. Outward journey and return for Directors, Assistant Directors and their families;

4.7.2.2. Subsistence allowance, equivalent to a maximum of one month of per diem allowance in Monaco;

4.7.2.3. Severance pay which corresponds to one month's net salary;

4.7.2.4. Expenses of moving of personal belongings and furniture.

4.7.3. Expenditure Approval Requirements

4.7.3.1. Expenditures are normally planned by the IHB together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

4.8. Special Projects Fund

4.8.1. Description

4.8.1.1. The Special Projects Fund was established in 2012 to cover contract support for the completion of certain IHO work program items, such as the maintenance or drafting of standards, the editing or updating of complex publications, translations, and particular requirements identified by the Committees and other bodies of the Organization.

4.8.2. Expenditure that can be covered by the Special Projects Fund:

4.8.2.1. Contract support to deliver some or all parts of the approved IHO work programme tasks;

4.8.2.2. Logistics, travel expenses and per diem for expert contributors required at meetings dealing with the preparation and monitoring of the contracts.

4.8.3. Expenditure Approval Requirements

4.8.3.1. Expenditures are normally planned by the IHB, based on proposals from IHO subordinate bodies, together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

4.9. Internal Retirement Fund (IRF)

4.9.1. Description

4.9.1.1. Until August 31st, 1987, the retirement benefits of employees were supported by an internal, self-funded pension scheme. Retirement benefits for employees joining after 1 Sep 1987 are covered by private, personalised pension plans that do not place any long term liability on the IHO other than the employer contributions to the pension scheme that are met from the salaries chapter of the IHO annual budget.

4.9.1.2. The purpose of the Internal Retirement Fund is to maintain a capital sum that can be invested to ensure the provision of the pensions of retired and serving employees that are beneficiaries of the pre-1987 pension scheme.

4.9.2. Expenditure that can be covered by the Internal Retirement Fund:

4.9.2.1. Payment of the retirement benefits to which the Staff Members recruited before 1 September 1987 are entitled in accordance with Annex A to the IHB Staff Regulations.

4.9.3. Expenditure Approval Requirements

4.9.3.1. Expenditures are normally planned by the IHB together with the five-year budget ("five-year" to be replaced with "three-year" when the Protocol of Amendments to the Convention come into force) and reviewed with each annual budget. Their execution is monitored according to the IHO Financial Regulations (see articles 9 and 12).

IHB File No. FO/599/01

VOTING FORM*(to be returned to the IHB by 8 March 2014)**e-mail: info@iho.int - Fax: +377 93 10 81 40*

Member State:	
Point of Contact:	
Contact e-mail:	

Proposed IHO Resolution on Guiding Principles for IHO Funds

1. Do you agree with the Draft Resolution on Guiding Principles for IHO Funds?	
YES	NO

2. Do you agree that the Printing Fund be closed and that the balance be transferred to the IRF?	
YES	NO

3. Do you have any comments or proposed amendments to make?	
YES (see below)	NO
Name/Signature:	Date: