

**III. SUMMARY RECORD OF THE FIRST MEETING OF DELEGATIONS OF AALCO MEMBER STATES HELD ON MONDAY, 1<sup>st</sup> DECEMBER 2008, AT 10.00 AM**

**His Excellency Mr. Narinder Singh, President of the Forty-Seventh Session of AALCO in the Chair.**

**(i) Statement by His Excellency Mr. Narinder Singh, President of the Forty-Seventh Session of AALCO**

1. At the outset, the President expressed his profound gratitude to all the delegations who came all the way from their capitals in a short time and respective missions in New Delhi to attend the very important meeting of AALCO.

2. Before going into the financial matters of AALCO, the President emphasized the role of AALCO in the development of international law in the Asian and African regions. He recalled that since its establishment in 1956, AALCO had achieved a phenomenal growth by increasing the number of Member States up to 47 countries. He noted that AALCO had played a prominent role in considering legal problems of its Member States and strengthened the exchange of views and cooperation on legal issues among them and contributed significantly to the progressive development and codification of international law, such as: AALCO played a very important role in facilitating effective participation of Asian-African countries in the Third United Nations Convention on the Law of the Sea (UNCLOS III). New concepts such as Exclusive Economic Zone, Archipelagic States, and Rights of Land Locked States originated and developed in the course of deliberations in the AALCO and later these concepts found their rightful places in the 1982 Convention. The 1966 Bangkok Principles concerning the Status and Treatment of Refugees which were more recently revised in 2001, constituted a breakthrough in refugee law and applied in the practice of Member States widely in the Asian-African region. He further stated that it was again this Organization which at its Karachi Session (1969), had worked out the basis for a step forward in the Vienna Conference on the Law of Treaties and majorly contributed to the 1969 Vienna Convention on the Law of Treaties.

3. He stated that AALCO had always been selecting topics in response to the challenging needs in a timely manner and focussed discussions and efforts to provide solutions based on international law issues faced by the international community. The working collaboration with the International Law Commission and the Sixth Committee had given wider latitude to the work on international law.

4. The President highlighted that, in his view the purpose of AALCO was to serve as an advisory and consultative body for its Member States to address international legal issues and develop a framework for regional cooperation in international law. In this regard, he observed that, in the present changing global environment where multilateralism, regionalism and unilateralism were competing to gain support and

influence, the role of AALCO was more valid and relevant as a vehicle to promote the regional cooperation in the Asian-African region.

5. As far as the financial stability was concerned, the President pointed out that it was very crucial to any Organization to fulfill its mandate and enable its activities. It was a hard reality that AALCO had been facing a huge financial burden because of which it was unable to perform its day to day affairs. In another few months, the Secretariat would not even have the money to operate the building and pay the staff salary. He mentioned that, as an intergovernmental Organization, the budget of AALCO was a very modest one, perhaps, the lowest for any international Organization of its long standing and reputation. Therefore, to avert the situation of bankruptcy, he wished to sensitize the Member States to understand the gravity of the situation, which the Organization was facing on the ground level, in terms of not having enough funds to sustain it beyond six months at maximum, and it included exhausting of all its "Reserve Funds".

6. The President stated that for these reasons it was felt necessary and appropriate to convene the Extraordinary Meeting to discuss and decide in detail the financial issues and put in place concrete solutions on which the Organization could function in an effective and efficient manner. To tide over the present financial situation, he called upon all the Member States of AALCO to adopt the "Budget for the Year 2009". The rationale was that if the Budget was approved in December, the Secretariat could request Member States to pay their contributions for the year 2009 before the scheduled timings. He also appealed to all the Member States to pay their arrears and voluntary contributions for the long-term sustainability of the Organization. In this regard, he was very confident that the Member States would respond positively to the current challenge faced the Organization with generous support of funds.

7. In conclusion, the President hoped that the Organization would overcome from the present precarious financial situation and thereby strengthen the mandate of the Member States taking it to greater heights, where it could provide positive service to its Member States and serve them in a more meaningful manner. He seized the opportunity to appeal all the Member States to provide undivided support for AALCO.

8. Thereafter, the President referred to the **Provisional Agenda and Schedule of Meetings** for the Extraordinary Session. There being no comments, both the documents were adopted.

(ii) **Welcome Address by Prof. Dr. Rahmat Mohamad, Secretary-General, AALCO**

9. **Prof. Dr. Rahmat Mohamad, Secretary-General of AALCO**, stated that this was his first formal address to the esteemed Heads of Delegations of AALCO Member States, after he assumed the office of the Secretary-General of AALCO, on 15<sup>th</sup> of August 2008. He seized the occasion to convey his profound gratitude to all the Member States of AALCO for bestowing him with the opportunity. He said that the Organization was an outstanding symbol of Asian-African solidarity in cooperation on legal matters

and he was very proud to stand before the Member States as the new Secretary-General of the august body. He assured that he would work to the best of his abilities to realize the objectives of the AALCO.

10. On behalf of AALCO and his own behalf, he welcomed all the distinguished gathering for the Extraordinary Session of the Asian-African Legal Consultative Organization. He stated that the Extraordinary Session was convened by the President to address the severe financial crisis which the AALCO was currently facing, challenging its very survival. The Organization was on the verge of 'bankruptcy', and if remedial measures were not urgently adopted it might become non-functional.

11. The Secretary-General thanked the participating Heads of Delegations of the Member States, for assembling at a very short notice and he sincerely hoped that the distinguished representatives of the Member States would find concrete ways to overcome the financial crisis of AALCO.

12. The Secretary-General noted that for the first time in the magnificent Headquarters Building of the Organization, every body assembled for a Session-level meeting. He profoundly remembered that the making of the Building entailed a long journey and thanked the host- the Government of India – for its generosity in gifting the permanent home to the Organization after establishment of fifty two years. It was indeed a great achievement for the entire Asian-African international law community. He recalled that the Organization had the requisite infrastructure and hence it could grow from strength to strength in face of the ever-changing necessities of the time.

13. The Secretary-General mentioned that guided by the wisdom of the President, Mr. Narinder Singh, the Secretariat collectively agreed that, despite certain constraints in terms of seating capacity and other support services, it would be appropriate and financially prudent that the key question- the question of sustenance of AALCO – both ideological and financial - be addressed in the building - the permanent abode of the Organization. In this regard, he humbly requested the Member States for their kind understanding for any inconvenience caused because of space constraints and other support facilities.

14. He recalled that the founding fathers of the Organization had realized that there was a unity of common interests of the peoples of Asia and Africa that called for Asian-African cooperation. Following the Bandung Summit of Asian-African leaders, in 1956, they created the AALCO as a forum for collaboration for Asian-African States in their common pursuit of enhancing legal co-operation, particularly in international law matters. The objective was to ensure that each one of our countries was given the type of assistance and encouragement in the development of choosing international law perspectives, as well as positions.

15. In its journey of fifty two years, the Secretary-General observed that the AALCO had ensured that the voice of Asia and Africa resounds in international law-making the domain long considered to be traditionally the exclusive preserve of Western powers.

This should come as no surprise. A world striving to foster a stable and harmonious environment simply cannot afford to ignore the aspirations and needs of an overwhelming majority of its members, which occupies more than half of the land surface giving shelter to 70% of the population, seeking to uphold its legitimate interests. Thus, from a humble beginning of just seven States, the AALCO today comprised of 47 States, which in itself was a testimony to its importance.

16. However, he cautioned that one could not ignore the stark reality that the changing dimensions of international law making in the contemporary world had made it into a highly technical and highly difficult area, often compartmentalized into several specific legal regimes. This called for the availability of a strong, professional, technically equipped cadre of international legal professionals in our countries. However, such an instrument was still illusive to most of the developing countries, an instrument which was so well employed by the most developed countries to their best advantage as a tool to legitimize their actions.

17. The Secretary-General stated that AALCO as an institution had been created to fill up a much felt gap and need among the developing countries, among the Asian-African countries. Thus, there was still a lot of distance to be travelled in the field of strengthening international law cooperation among the Asian-African States and nurture it, develop it as an effective instrument to reflect the needs and aspirations in the international forums. This was a very-very delicate task.

18. The Secretariat of the AALCO was the executive agency of the Organization, and was continuously engaged in this delicate task. Although, it functions on a modest budget, it strived to render highest standards of Secretarial services to its Member States. Therefore, he called upon the Member States of AALCO, to ensure that measures were taken to continuously strengthen the Secretariat.

19. He was quite confident that they would be able to achieve amicably, in the spirit of reconciliation, friendship, and mutual trust, in the Extraordinary Session, and set out for themselves the path that was required to be treaded by the Organization in the future. The collective wisdom and collaborative spirit of all assembled were essential to bring about an acceptable solution, thereby preserving the unity that had combined the AALCO so cohesively for the past fifty-two years.

**(iii) Statement by the Secretary-General on the Current Financial Crisis of AALCO and the Road Map for the Future**

20. **The Secretary-General** in his statement on the *Current Financial Crisis of the AALCO and the Road Map for the Future* stated that it was his onerous duty to place for the consideration of the delegates an explanation about the current financial situation of the Asian-African Legal Consultative Organization (AALCO). He explained that there was no doubt that at present, the AALCO was facing a very grave “financial crisis” that challenged its very survival. However, the word “crisis” had an apt translation in Chinese and Japanese languages. It combined two Chinese characters: danger and opportunity.

Thus, each crisis inevitably contained dangers and it often provided opportunities. The Secretary-General requested to see the present financial crisis plaguing AALCO, as an opportunity, to reaffirm and re-strengthen the bonds of Afro-Asian solidarity and take appropriate steps to revitalize the AALCO. He emphasized that the Member States have to keep in mind, primarily, that it was not only the question of the physical survival of the Organization, rather it was the vanishing of the ideological underpinnings that brought this Organization into being. It also presented the Organization with an occasion to reflect upon its core values and to ensure its long term sustainability as a strong entity ready to take on challenges posed by the contemporary realities of international order.

21. The Secretary-General, on behalf of the Organization, put on record its highest gratitude to the Sultanate of Oman for its immediate response in lending their generous financial assistance in time of crisis. He expressed the hope that the other Member States would follow suit.

22. While addressing the key question of ensuring financial sustainability of AALCO, Secretary-General during the course of his presentation firstly, highlighted the mission of the Organization; secondly, placed for consideration the reasons for the current financial crisis; thirdly, presented a proposal on the reform of financial management of the AALCO; fourthly, elaborated upon an Action Plan for Improving the Financial Situation of AALCO; and finally, presented an outline of his vision for the AALCO in the coming years.

#### **A. Revisiting the Mission and Vision of the AALCO**

23. The Secretary-General underlined that the AALCO is a unique inter-governmental organization. Unlike other inter-governmental organizations, the uniqueness of AALCO could be found in two forms; first, it was the only inter-governmental organization in the world that focused on international law on the basis of consultative manner; and secondly, the organization covered two of the most populous continents in the world. He said that while many of us would like to think that AALCO functions in the manner similar to any other inter-governmental organization, he was of the opinion that its significant contributions could not be undermined. He traced the genesis of AALCO in 1956; the Organization had now passed the first 50 years of its existence and had served its objectives well to its Member States. The Organization had brought the Asian African communities together in various international forums.

24. AALCO had strived to elucidate the message of Bandung by institutionalizing common endeavours of the Asian-African States by playing an active role in bringing the “rule of law” into inter-state relations and also by participating actively in the codification process of international law, a system historically developed by Western State practice, devoid of civilization and legal systems of the Asian-African continent.

25. The Secretary-General highlighted that AALCO today stood as a well-recognized and outstanding symbol of Asian-African solidarity, promoting the Asian-African perspectives of international law, thereby ensuring its universalization. A glimpse at the

fifty-two years activities of the AALCO demonstrated its undeniable role in meeting the needs of its Member States for such consultations and exchange of legal information and views which had also been directly or indirectly reflected in the proceedings of law-making organs of the United Nations. Timely consultations on international legal issues of practical concern were the very *raison d' etre* of AALCO. On matters of grave concern and importance, the Member States of AALCO had brought to bear their wisdom, given thought to analyze legal implications and attempted to find legal basis for possible solutions and thus set the intellectual process in motion to enable Member States to think and act on constructive lines to promote understanding and cooperation on legal issues.

26. He emphasized that if the ability of any organization to carry out its function effectively, and convince others of the importance of its role, represent a basic criteria on which to measure its success, AALCO had managed, as the sole organization which brings the two continents of Asia and Africa at the level of governments, to perform its mission so effectively and practically as to contribute to serving international legal issues by giving sincere technical consultation and serious research and studies which represent a valuable heritage for establishing clear legal concepts to safeguard the interests of African and Asian countries in general, and its Member States in particular, and at the same time gain continuous international support.

27. The Secretary-General pointed out that the large attendance at AALCO's Annual Sessions bore testimony of its growing importance. The business like discussions in a friendly and cordial atmosphere had always been fruitful. The variety of items on its agenda attracted experts from different walks of life such as judges, lawyers, Government officials and distinguished academicians. The Secretary-General stated that for these reasons, he believed that the AALCO deserved the unreserved support, encouragement and wider utilization by its Member States.

## **B. Reasons for the Current Financial Crisis**

28. The Secretary-General then placed before the delegates the reasons for the severe financial crisis which the AALCO was currently facing that posed a challenge to its very survival. The current financial situation was the result of various reasons that over the years had snow balled to the present alarming proportion. It was important to note that the only source of income for AALCO was in the form of regular annual contributions it received from Member States. The current situation had arisen as a result of mainly two reasons: firstly, the deteriorating financial position over the years, mainly on account of non-payment of the contribution; and secondly, non-revision of the scale of assessment of annual contributions from Member States for the past 15 years. Added to that, were the rising inflationary pressure, high operational cost of running the new Permanent Headquarters Building, as well as certain additional expenses incurred in relation to change of Secretary-General, that had put severe stress on the limited Budget of the Organization.

**(i) Massive Accumulation of Arrears**

29. The Secretary-General explained that massive accumulation of arrears of some of AALCO's Member States had clearly put the Organization in a very severe financial crisis. Non-payment of annual contribution was a violation of their financial commitment to AALCO. Resolutions adopted at the various Annual Sessions had urged the Member States who were in arrears to take urgent steps to clear expeditiously the same and in order to enjoy the right to get actively involved in various official events stipulated in the Statutes and Statutory Rules of AALCO.

30. He also highlighted that the total amount of accumulated arrears till the end of December 2008 would be nearly 1.5 million US dollars, which was more than three times of AALCO's budget for the year 2008. Presently, there were 18 Member States in arrears for a period varying from two to twenty five years including 2008.

**(ii) Non-revision of scale of contribution.**

31. The Secretary-General informed that the scale of contribution of Member States was last revised fifteen years ago in the year 1993, whereas in any other International Organization, particularly the United Nations, scale of contribution was revised after every three years. A perusal of AALCO's budget in the last few years would evidently reveal that AALCO's budget was in deficit. Due to the increase in activities and high inflation rates, the annual expenditure of AALCO had gone up considerably, and AALCO reached a situation last year when the Secretariat requested the Member States to consider revision of their annual contribution for the year 2009, failing which sustenance of the Organization would be doubtful. Former Secretary-General Amb. Dr. Kamil had consistently highlighted this fact during Annual Sessions, Member States insisted to collect arrears first rather than to increase contributions, his proposal for revision of scale of contributions presented at the Cape Town Session in 2007 was not accepted.

**(iii) Inflation and devaluation of US dollar**

32. During the last decade, there had been a steady inflation in India both on account of domestic and global financial factors. The natural fall out of this had been a sharp rise in the cost of living in India. The prices of almost all essential commodities indispensable to the day-to-day operations of the Secretariat had shot up. AALCO had suffered the effects of the surge in the prices severely. The budgetary contributions from Member States of AALCO made in US dollars and any fluctuation in exchange rates affected the AALCO Budget.

**(iv) High Maintenance and Operational costs of the Permanent Headquarters Building**

33. The Secretary-General, on behalf of Member States of AALCO, expressed his sincere gratitude to the Government of India for its generous contribution of AALCO's

Permanent Headquarters. It was anticipated, however, that maintenance and operational cost of the Secretariat's functioning from the Permanent Headquarters Building would be substantially high. He explained that this vast building was well equipped with the state of art infrastructural facilities and in terms of sheer size it was many times more than the earlier rented accommodation. Consequently, the operational costs for utility charges, such as electricity and water had multiplied several folds. Furthermore, it was essential that the Building should be properly maintained so as to ensure that the facilities provided therein last longer. Moreover, the maintenance standards and security of the building needs to be in consonance with the status of an Inter-governmental Organization and this unfortunately the Secretariat was not able to do presently.

34. In addition, to these long-term reasons in the year 2008, the financial situation had been particularly constrained due to the following three reasons:

35. *Firstly*, in April 2008, AALCO Secretariat shifted to its Permanent Headquarters Building. There was a considerable delay in shifting to the new headquarters due to multiple reasons. This forced the Secretariat to operate from the rented building and to pay the rent of the Office Building and the Secretary-General's Residence. In the 2006, 2007 and 2008 Budgets, provisions were not made for the rent of the Office Building and Secretary-General's Residence. The expenses involved in the process of shifting also added to the over-stretched finances.

36. *Secondly*, for furnishing of the Secretary-General's Residence the Organization spent substantially from its Reserve Fund.

37. *Thirdly*, expenditure incurred on the outgoing and incoming Secretary-General. An Additional expenditure was incurred on the outgoing Secretary-General as two months salary as retirement allowance and expenses for shifting to his hometown were incurred.

### **C. Reform in AALCO's Financial Management**

38. The Secretary-General informed that after several consultations and discussions with a few Member States, in particular the Japanese Government to which he expressed his gratitude and appreciation, he proposed a reform in the AALCO's financial management based on the basic principle of *transparency* and *accountability*. He said that the realization had come that any money and proceeds received from Member States must be accounted for and be made transparent. As much as member States were accountable in their public spending, equally AALCO should be accountable to all the Member States. It was only through these two basic principles that an organization could practice a healthy financial management. He proposed the implementation of the following actions as a realistic reform measures within the Organization to address the current financial turmoil.

39. *Firstly*, in accordance with the AALCO's Statutory Rule pertaining to preparation of budget, it was important that his Office would take note of avoiding imbalance of the



actual expenditure and the expected income so that it was in consonance with the principle of sound and healthy financial management. At this juncture, it was also important to take stock of delay of receipts and arrears of contribution that was possible to take place.

40. *Secondly*, in upholding the principle of transparency, the Secretariat would prepare a draft budget proposal at least 5 months before it was forwarded for approval in the Annual Session. Prior approval at the Annual Session, consultation at the Liaison Officers Meeting must take precedence. He proposed that the Liaison Officers shall have the power to make necessary amendments or revisions of the draft budget before its approval. Thus, the Annual Session had an opportunity to deliberate the issues raised during the LO meeting before it gets the final approval.

41. *Thirdly*, the Annual Session should take stock of how the Secretariat would utilize the reserve fund. It should make obligatory on the part of the Secretary-General to submit and present report of receipts and expenditure of the reserve fund to the Annual Session. In this light, the Secretary-General should consult with the Member States on how to utilize the reserve fund before the final approval of the Annual Session. The Annual Session should determine when and in what manner the resources of the reserve fund should be utilized.

42. *Fourthly*, the Annual Session should address the appointment of an independent external auditor of recognized standing preferably be selected from among the auditing personnel who are nationals of the Member States of the AALCO. The same auditor should not be appointed for more than three consecutive years and giving full access to all documents and information available in the Secretariat. The audit report should be submitted to the Liaison Officer's meeting who should report to the Annual Meeting on the legitimacy of the audit report before its final approval.

#### **D. Action Plan to Improve the Financial Situation of AALCO**

43. After highlighting the reasons for the current financial crisis and reform in the AALCO's financial management, Secretary-General proceeded to place before the Member States the Action Plan to Improve the Financial Situation of AALCO. To save AALCO from the current precarious financial situation and to provide AALCO financially sound base, he suggested in the Explanatory Note, an "Action Plan". The Action Plan was devised to save AALCO from impending 'bankruptcy', and keeping in view that a similar situation does not recur in AALCO's future.

##### **(i) Tackling the problem of arrears**

44. The Secretary-General pointed out that arrears were problem that most of the international organizations face. AALCO was no exception. According to Rule 25 of the Statutory Rules of AALCO, in the "event of any government remaining in arrears in the payment of its contribution for three financial years the Secretary-General shall bring the matter to the notice of all Governments with a view to a decision being taken at a session

of the Organization". He explained that for several years, his predecessors had brought this situation to the attention of the Member States. However, it evoked only mild action from the Member States. Some collection of arrears of contribution occurred only due to the personal initiatives of the past Secretaries-General.

45. He further explained that soon after assuming office of Secretary-General four months ago, his first initiative was to tackle this issue. With the active cooperation and support of his DSGs and Secretariat Staff, he had devised a plan of action with the objective to permanently resolve this issue. It might be noted that for the year 2008 out of the 47 Member States only 18 had paid their annual contribution. The remaining 29 Member States were requested to transmit their contributions directly to the Secretariat within December 2008. In addition, the Secretariat initiated personal contact with the Heads of Missions and Liaison Officers of AALCO Member States to sensitize them about the gravity of the situation. He pointed out that the Secretariat received strong support and encouragement from the senior representatives of the Member States, including from the countries in arrears.

46. As a second part of the plan, the Secretariat had classified the countries in arrears into three groups. Members having more than 15 years arrears; Members with less than 15 years arrears, but more than three years arrears; and Members who were in one to three years arrears. At the same time, he explained that he also realized that there was a need to negotiate individually with Member States in arrears, keeping in view the need for flexibilities of payment and the economic situation of some of them.

47. The Secretariat had proposed different Schemes of payment for different countries in different categories. The maximum permissible timeframes suggested by the Secretariat was an 8 year payment plan for countries which had not paid for more than 15 years. The Secretariat proposed to negotiate a Memorandum of Understanding (MOU) with these Member States to concretize the scheme. These States might be requested under the MOU to pay their annual contribution for the year and 12.5% or the agreed amount of the total amount of Arrears due, from 2009 onwards. The rest of the Member States would be requested to pay the arrears at the earliest. A detailed sketch of the plan was attached with the explanatory note.

## **(ii) Revision of scale of assessed contributions**

48. The Secretary-General pointed out that AALCO's annual contribution had not been revised for the last 15 years. This was sufficiently long time considering the fact that the United Nations and other international organizations revised their contributions every three years. While almost all Member States of AALCO agreed with this reality but no measures had been taken in this regard. During the Cape Town Session 2007, as an interim measure and to avert the current financial crisis, former Secretary-General had proposed an increase, which was not formally adopted because there was no consensus among the Member States. However, realizing the real need for such increase many of the AALCO Member States had voluntarily increased their contribution for the year 2008 and some for the year 2007 also. Secretary-General acknowledged and thanked the

Governments of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Republic of Korea, Indonesia and Botswana, for their kind and timely gesture.

49. At the New Delhi Session, in 2008, the Member States *vide* Resolution RES/47/ORG 2, noted that as the scale of assessment of contributions from Member States had remained stagnant for the past 15 years and therefore they decided to mandate the Secretary-General to constitute a "Committee of Member States" to study this issue in-depth and submit their Report and Recommendations for the consideration at the Forty-Eighth Session. In pursuance of this mandate, Secretary-General had constituted an *Advisory Panel of Liaison Officers of Member States*, which was acting as the Committee to consider the matter in-depth. To assist their work, the Secretariat had also prepared revised Scale of Assessed contributions, according to the past practice of AALCO, since its establishment in 1956. This formula was followed till the last revision in 1992. The maximum Unit accepted by a Member was 30 (for Japan) and the minimum was 0.5 Units (for 22 Member States in the lower income bracket).

50. The Secretariat was currently working on a proposal based upon the past practice for the Revision of Scale of Contributions. This would be placed for the consideration of the Advisory Panel of Liaison Officers, discussed threadbare in that Panel and following the recommendations of the Panel be placed for consideration at the Liaison Officers Meeting to be held early next year, before being placed for consideration and hopefully adoption at the Forty-Eighth Session to be held in 2009. If adopted, the Draft Budget for the year 2010 would reflect such revised scale.

51. At the same time, Secretary-General acknowledged that the entire world was going through strenuous times because of the current global financial crisis. However, he appealed that this financial meltdown should not prevent the Member States of AALCO from taking appropriate remedial measures.

### **(iii) Replenishment of Reserve Fund**

52. The Secretary-General mentioned that Rule 27 (3) of the Statutory Rules of the Organization authorized the Secretary-General to maintain a reserve fund. To strengthen and firmly place the Organization, on a firm financial footing, it was essential that an adequate Reserve Fund was maintained by the Organization. The amount kept in Reserve Fund should at least be enough so that it could meet the expenses of the Organization for at least a period of six-months. With this objective, in mind, it was essential to replenish the Reserve Fund of AALCO. As was the earlier practice in AALCO, the extra money of the year which would not be spent will have to be deposited into the Reserve Fund. Management of reserve fund would be a matter to be decided by the Member States in the Annual Session based upon the report by the Secretary General.

**(iv) Creation of a Fund to meet the Expenses of Incoming-Outgoing Secretary-General**

53. Article 3 of the Statutes of AALCO provided for the Office of the Secretary-General and provided him a term of four years. Rule 20 (1) of the Statutory Rules entitled the incumbent to be re-appointed for one more term. Thus, either after every four or eight years, a vacancy would be created in the office of the Secretary-General. In order to meet the expenses relating to the incoming and outgoing Secretary-General a separate fund has to be created and earmarked portion from the Annual Budget may be put into it.

**(v) 'One-time' voluntary grant**

54. The Secretary-General emphasized on the immediate priority that was to save AALCO from the impending debacle. The AALCO would run out of Reserve fund by December 2008, after which the Organisation would not have any money to pay salary and manage the building. He informed that, foreseeing this situation, he had requested the Member States for a 'one time' voluntary grant from all the Member States, depending on their capacity to pay. The Secretariat realized that the Member States that pay their Annual Contributions could not be asked to pay more than their share. However, the Organization was facing the worst financial crisis ever, and was on the brink of "bankruptcy" and the only means of saving it would mean immediate and concerted action by all Member States by making generous voluntary contributions, to bridge the huge deficit that the Organization faced, and provide it with sustainability till it gets its financial status back on the tracks. He informed that the Secretariat was also working on a Bail Out Plan for the period January to March 2009 for the maintenance of the Headquarters and to pay the staff salary since the financial year of the most of the Member States starts after March.

55. He took the opportunity to once again thank the Government of Oman for their very kind gesture of acceding to his request for voluntary grant as well as he called upon our other Member States to favourably consider his plea for one-time voluntary grant.

**(vi) Alternative Means of Generating Revenue**

56. The Secretary-General explained that AALCO completely depends on the Annual contributions of the Member States. Because of the non-payment of contributions, AALCO had not been able to meet many of the budgeted expenditures. This had made him think innovatively, and his ideas include, undertaking consultancy projects from International Organizations and AALCO Member States; giving advice and technical studies to assist the International Law Department of the Member States; and joint activities with other international agencies, including non-governmental agencies and corporate bodies, subject to the approval of the Member States. The Secretariat had well qualified professional staff to handle international legal issues. If necessary, AALCO might engage external consultants, in the process. However, this would require full support, consent and approval of the Member States, without which this plan could not materialize.

## **E. Vision for the Coming Years**

57. The Secretary-General pointed out that International law stands as a unique legal discipline with a multi-disciplinary character. A multi-disciplinary approach with appropriate inputs from specialists and experts from different fields was urgently required in developing a widely acceptable and effective legal regime concerning, for instance, the management of environment, oceans, rivers and development of our natural resources. It was intimately tied to our foreign policies in that it influences and was also influenced by the same. Furthermore, International Law cannot acquire the sanctity and universality that were fundamental to its wider acceptance without adequately accommodating and reflecting the needs and aspirations of the Asian African States.

58. International Law would be an indispensable instrument to shape a new world order. Every international action or inaction by State actors either be it humanitarian intervention, establishing rules of trade or protection of environment or advancement of human rights are legitimized by taking recourse to international law. One must ponder that whether such legitimization reflected adequately the concerns of Afro-Asian community.

59. The AALCO had thus an indispensable role to help the Asian African States in developing enlightened legal policies and positions and play their due role in shaping a just and equitable world order. The AALCO had a challenging role, cut out for itself in this regard. It had to energize the negotiators of Asia and Africa with important inputs keeping in view the implications in international law-making and their obligations. It should focus on priority areas of direct and immediate concern to our continents. It should ensure greater interaction, through its forum, among the legal community of the Asian-African world. It should prepare them in fashioning their responses to the ongoing dialogue in the international community on different aspects of law. It could help capacity building by organizing training programmes, workshops and seminars by involving all concerned participants including the governmental legal advisors, the judiciary and other expert bodies and groups within our two great continents.

60. The AALCO should fashion itself to serve as a think-tank for Afro-Asian regions. Toward, that end AALCO might consider constituting an Eminent Group of Experts in International Law, drawn from our two regions to enable the Secretariat in redefining the role of our Organization in the fast changing global power matrix. AALCO's presence in international law-making had to be constructively and effectively registered.

61. The AALCO should always be ready to venture further still into novel subjects worthy of interest. The growing compartmentalization and specialization of international law warranted that the Organization enlarged the scope of its enquiry and activities in the years to come, in order to serve the Member States more efficiently. Four such topics that had gained importance in recent times and might fall within the ambit of our Statute's "matters of common concern" would be:

*One*, restructuring the international financial system and institutions, which includes the World Bank, International Monetary Fund and World Trade Organization, particularly in the wake of current global financial crisis from a legal perspective;

*Two*, the topic of Rule of law at international and national levels, had utmost significance in the contemporary world;

*Three*, in view of increasing incidents of “piracy at sea”, we may need to review the efficacy of the existing legal mechanism under the UN Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation and UN Convention on the Law of the Sea.

*Four*, recent developments in the International Criminal Court had generated keen interest from some of the Member States. He recalled that this issue was highlighted during the recent meeting of Legal Advisers of AALCO Member States in New York. As the First Review Conference was scheduled to be held in 2010, AALCO could hold a workshop/seminar where it could have detailed deliberations on some of the important issues related to this topic, for instance, the process of ratifying the Rome Statute, how to implement its provisions into national legislations, and some other concerns of AALCO Member States.

62. In order to make a wider impact and make AALCO's presence felt globally, AALCO should:

*First*, represent and present the views of Member States in negotiation and codification of international rules;

*Second*, preparing analytical and technical studies for the benefit of Member States to equip them with necessary knowledge while negotiating international law;

*Third*, engage in capacity-building and training for Member States to understand rights and obligations flowing from international obligations;

*Fourth*, provide a forum for exchange of views and experiences which could be consolidated and presented to the law-making process;

*Fifth*, render special Legal Advice and support for member countries including Least Developed Countries who are lacking in expertise;

*Sixth*, provide specific assistance and technical support to requesting Member States for resolving their and assisting them in negotiation or international adjudication, and

*Lastly*, monitoring and report on international legal developments for the benefit of its Member States.

63. AALCO also needs to give a positive thrust to the activities to be undertaken within the Centre for Research and Training, be it the holding of Training on "General Aspects of International Law" for the officials of Member States, holding inter-sessional meetings on identified subjects or providing training to interns from Universities. Secretary-General was pleased to inform that the first training programme organized within the CRT was from 3-14 November 2008. 15 participants from 11 Member States participated in the programme. It was very successfully conducted. The input received from the participants had given the Secretariat constructive ideas on how to further improve and improvise this programme in the future. He was sure that AALCO would organize a much improved programme next year again.

64. The Secretary-General informed that he would also like to strengthen and revitalize the Publications Division of the Organization. He mentioned that due to the severe financial constraint it was not been able to publish many of the documents, nevertheless this had not deterred Secretariat work as these documents be it the Notes and Comments on Selected Items before the UNGA at its 63<sup>rd</sup> Session, documents related to this Extraordinary Session or some of the forthcoming publications have been provided in Compact Discs, as well as could be found on AALCO website: [www.aalco.int](http://www.aalco.int). He suggested that in order to save money, instead of bringing out documents in printed forms, in future, AALCO might consider issuing them in electronic format. Should the Member States approve of this idea; the Secretariat could be mandated to bring out documents in electronic format.

65. The Secretariat had a crucial role in strengthening the work of the Organization. Presently, the Secretariat functions under severe constraints of time and resources. Yet the final products bear no witness to these handicaps and measure up to the quality and quantity of any important international conference and their outputs any where held in the world. Therefore, AALCO needs to further strengthen the infrastructure and other facilities offered to the Secretariat Staff. Furthermore, to give an international character to the Professional Category of the Secretariat Staff, a need was felt to ensure that the Secretariat were able to attract and retain the best talent from two regions. This entailed offering remuneration and other terms and conditions of services at par with the other Inter-governmental Organization. In this regard, Secretary-General proposed the setting up of a new fund, where the collected arrears could be deposited and the interest accruing on that could be used for AALCO's activities. This idea might be further discussed and finalized at the Forty-Eighth Annual Session.

**(iv) Proposed Budget for the Year 2009**

66. **Next the Secretary-General** placed the Draft Budget for the Year 2009 for the consideration and approval of the Member States.

67. The Secretary-General explained that the Proposed Budget for the year 2009 was placed for consideration and adoption before the Liaison Officer's at the 298<sup>th</sup> Meeting held on 3<sup>rd</sup> November 2008 complying with Rule 24 (2) of the AALCO's Statutory Rules. Keeping in view that the Draft Budget for the year 2009 would be placed for final

approval by this Extraordinary Session, Secretary-General had requested the Liaison Officers to analyze it and inform the Secretariat of their views and suggestions on it by 10<sup>th</sup> of November 2008, after which it would be taken as implied consent. Since no comments were received, the Secretariat submitted the Proposed Budget for the Year 2009, contained in the document AALCO/ES (New Delhi)/2008/ORG 2 for the consideration of the Member States on 12 November 2008.

68. He profoundly thanked the Member States for very carefully scrutinizing the budgetary estimates. The Secretariat received both formal and informal inputs, guidance and advice from some of the Member States. These enabled the Secretary-General to revise the Proposed Budget sent earlier to the Member States. Therefore, the Revised Proposed Budget, with lower expenditure projected was placed for the consideration. In the document that had been earlier placed for the consideration, the total estimated expenditure for the year 2009 was kept at US \$ 583,554. However, in the current budgetary proposal, after squeezing expenditures, and shrinking the activities, under several heads, SG had tried to keep the expenditure at the level of AALCO's estimated income for the year 2009, i.e. US \$ 435,395. The rationale in doing so was to ensure that the budgetary deficit should not exceed the estimated income.

69. Apart from the above, Secretary-General also introduced the Supplementary Budget 2009. The Supplementary Budget had also been calculated and highlighted in the Budget sheet in pages 4 and 5 of the Budget document. The estimated expenditure under the supplementary Budget would be US \$ 147,695. This amount was calculated considering the legal commitment of AALCO to implement the Sixth Pay Commission revision of scales of salary to the Local staff as well as the annual increment in Secretary-General's salary and the emoluments given to the Deputy Secretaries-General. The Local Staff had genuine expectation and were keenly awaiting its implementation as this Revision had come after nearly 15 years and cost of living had gone up several fold during this time.

70. The Secretary-General highlighted that the Secretariat would furnish details of the annual contributions or voluntary contribution or any other arrears that the Secretariat would receive till August and would place before the Liaison Officer's Meeting proposed to be held at the end of August 2009. To avoid unnecessary convening of another meeting, SG proposed that the Supplementary Budget be approved together with the regular Budget. However, if AALCO does not receive any extra contribution other than its regular contribution, it would be difficult for the Organization to carry forward its activities in full and effective manner and the Secretariat would be forced to restrict itself to the actual minimum budget.

71. The Secretary-General explained that he had taken several steps to streamline the expenditures, including not holding the customary Constitution Day reception, limiting his stay in New York for participation in the UN General Assembly Session, expenses in terms of electricity consumption, paper consumption, purchasing stationery items, so on and so forth. He informed that the Secretariat had saved US \$ 90,000 ever since he had assumed the Office.



72. Furthermore, he proposed that in the Budget for the year 2010, that he would be placing for consideration at the Forty-Eighth Session, would be categorized under “Operational” and “Activities oriented” expenditure heads. The operational head would include salary and Maintenance of the Permanent Headquarters, while the Activity head would include the budgetary support for a mandated activity that would be provided by the Annual Session itself. This was generally the practice followed by the United Nations system.

73. He pointed out that an Inter-governmental organization functions on the basis of public contributions received from its Member States. For such an institution, it was highly essential that it observed the principle of good governance, accountability and transparency in the utilization of the contributions received from its Member States. He assured the delegations that he would during the course of his stewardship of AALCO, promote the realization of these principles so as ensure sound financial management and accountability.

74. He placed the Proposed Budget for the Year 2009, including the Supplementary Budget for the consideration and final approval of the Member States.

75. The Secretary-General concluded by stating that the peoples of Asia and Africa aspire to a world in which the values of liberty, justice and equality prevail under the rules of an advanced international law that satisfies their needs. There was a clear need to make international law more relevant to the day-to-day life of individuals as it had been with respect to States as the traditional major actors. In this endeavor the AALCO had a unique role to play as a legal body representing the Third World by identifying their common interests and needs as well as by providing a common platform in the development and codification of International Law. Over the years, despite perennial financial problems, AALCO, as a living institution, had succeeded in maintaining its vitality by adapting itself to the changing environment with maximum flexibility and cost-effective management. He was confident that the future had much better prospects in store for the Organization. This Extraordinary Session, he believed would give in the requisite momentum towards ensuring the financial sustainability and revitalizing AALCO.

76. The **President** thanked the Secretary-General for his detailed explanation on the current financial situation of AALCO, the detailed action plan prepared to help AALCO to tide over the crisis and his explanation regarding the Draft Budget for the Year 2009. As highlighted by the Secretary-General there were many reasons for the current financial crisis of AALCO. The major reason for this being that Member States had not paid their contributions on time, and this had resulted in the accumulation of arrears of nearly US \$ 1.5 million, three times the annual budget of AALCO. Some other factors highlighted by him were the need for more resources due to increase in prices, the decrease in the value of the dollar, and the non-revision of the scale of contributions for the past 15 years. The matter was indeed very serious as it had forced him to think of several innovations including ideas like taking up consultancies and doing project works for inter-governmental organizations and Member countries. The President noted that all

these ideas required consideration, particularly the idea of providing consultancy to private companies required deep consideration, as this would change the fundamental nature of AALCO as it is a body that advises its Member States, this may have other implications in terms of practical matters, as this would become more like a commercial function. With these preliminary remarks the President opened the floor for discussion.

77. The **Leader of Delegation of Japan** thanked the Secretary-General for his very rich presentation. He said that the Draft Budget for the Year 2009 had been divided into two parts: Part I and the Supplementary Budget, he required clarification on whether the Draft Budget for the Year 2009 would be approved in one go or the Supplementary Budget would be adopted at the forthcoming Forty-Eighth Session?

78. The **Secretary-General** responded that this budget was unprecedented and in future this pattern would not be followed. For the year 2009 he had proposed a two stage budget, in the first part the rationale was to minimize the deficit thus the total amount projected was US \$ 435,895. At the same time if additional money is received, and the expectation is that the Secretariat would collect 10% of the arrears (US \$ 147,659) it would total to US \$ 583,554. For this it was important that Member States paid their contribution and also the arrears due from them. The Secretary-General emphasized that this approval from Member States was needed to tide over the financial crisis. If Member States could approve both parts of the Budget then the Secretariat would not have to get a second approval, which would save time and thus it could fulfill its financial obligations and at the same time continue with its activities.

79. The **President** said that the Secretary-General would like to have both parts of the Budget approved because the Supplementary Budget was dependent on the actual contributions and arrears, thus if a higher level of arrears was received it would reduce the Supplementary Budget to that extent.

80. The **Leader of Delegation of Japan** mentioned that according to the principles of accountability practiced in Japan it was required that the budget of an International Organization should keep the balance between the actual expenditure and expected contributions from Member States. Out of its contributions it could set aside some amount for unforeseen circumstances. The Supplementary Budget would thus be covered from arrears received from Member States, this seemed a difficult proposition. Therefore, Japan proposed that the first part of the budget relating to actual contributions from Member States could be approved at the Extraordinary Session and the Supplementary Budget be postponed for approval at the next Annual Session. He said that this was the fundamental position of Japan on the approval of the budget.

81. The **Leader of Delegation of Mauritius** thanked the President and the Secretary-General for their clear presentations on the current situation of AALCO. He did not want to make any comment on the proposal made by the Japanese delegation. He congratulated the Secretary-General for the innovative measures proposed to meet the financial commitments of the Organization. At the same time he encouraged the Secretary-General to reduce the cost of operations of the Secretariat. He said that he had

sent a note to the Secretary-General regarding the Budget for the year 2009, wherein he had mentioned that the financial year in Mauritius began in July, thus it would be difficult for Mauritius to pay its annual contribution before that. He had also mentioned some proposals to recover arrears from Member States.

82. The **Leader of Delegation of Kuwait** read out a message of support to the Secretary-General from his Government. He stated that this was a great opportunity to meet the Secretary-General as well as the delegations from AALCO Member States. He said that AALCO was known for its universality, as it comprises of different Member States representing the continents of Asia and Africa that had significant impact on the surroundings and is considered to represent different thoughts and cultures. AALCO had seriously, diligently and efficiently worked throughout the past years to place its views in different international fora. The Member States of any International Organization undertake financial obligations in contributing to the Organization's fund; this was a commitment in the furtherance of the objective of sustaining the Organization so that it can perform its mandate properly. He emphasized that this commitment was not only a moral one; rather it was a commitment to guarantee the continuity of the Organization and the maintenance of its expenses. He added that the State of Kuwait was very keen that AALCO should always be present on the international arena and assures that the Members would give their support and cooperation to it. He maintained that this action of Member States would be because of their loyalty to the Organization. He reminded everyone that "extending hands were better than bending them and intersection of hands is better than discord" and that no hand has preference over the others, except in the size of generosity. He further said that the hands of the Organization were always extended to its Member States when they needed it, thus every Member State should think of it as it had thought of them.

83. The **Leader of Delegation of Uganda** at the outset congratulated the President, the Deputy Secretaries-General and staff of AALCO for the good work done by them to date. Thereafter, he thanked the President and Secretary-General who in their wisdom had deemed it appropriate to convene the Extraordinary Session of AALCO to rescue the Organization rather than to just let it collapse. This was a very respectable act which all Member States should salute. On a rather sad note from his country and himself personally condemned terrorism as an instrument of policy or act at national or international level, by non-State actors. Therefore, he delivered condolences and sympathy to India, for the losses and injuries suffered in Mumbai last week at the hands of terrorism. Uganda condemned the terrorist attack and called on the Extraordinary Session of AALCO to join in this condemnation.

84. The Delegate said that he required certain clarifications from the Secretary-General regarding the Proposed Budget for the Year 2009, where after he would pose some questions. He agreed with the background provided by the President regarding AALCO and its achievements so far. At this juncture he said that Uganda was a poor country with many problems yet they had paid for his visit to New Delhi for the Extraordinary Session. This was because they agreed that AALCO is a very important Organization that had played its important role very well. As an instrument of South-

South Cooperation it needs to be further strengthened and there was an urgent need to make it increasingly relevant to the contemporary issues of relevance to the Asian and African Continents.

85. Having said that he had three points. **First**, the Secretary-General made a statement on the current financial situation of AALCO, wherein he proposed certain urgent measures some of which needed immediate attention and others could be deliberated upon later. **Second**, there was the Budget presentation; it was divided into two parts, Part 1 and the Supplementary Budget. He required clarification on the Supplementary Budget, in his view if the budget is adopted would it address the concerns expressed by the Secretary-General in his first presentation? Finally, he called upon the Secretary-General to update his records because at page 7 of the document AALCO/ES/2008/ORG.1 paragraph 30 states that at present there are two categories of arrears a) There are 5 Member States in "Arrears for two years", Cameroon, Bangladesh, Nigeria, Myanmar and Uganda. The Leader of Delegation mentioned that he had received a reminder before he left Kampala that Uganda was in arrears. He said that he had checked this position from the accounting officer, who assured him that Uganda was no longer in arrears and had given him a copy of the electronic transfers that indicated that all the arrears of Uganda had been cleared. He requested the Secretary-General to check the records and if this information was correct to amend them accordingly.

86. **Dr. Yuichi Inouye, the Deputy Secretary-General** assured the Attorney-General that he would check with the accounting officer regarding the status of contributions of Uganda for the years 2007 and 2008, and if the payments were received the records would be accordingly revised.

87. The **Leader of Delegation of the Islamic Republic of Iran** thanked the President and Secretary-General for their detailed presentations. He appreciated the efforts of the Secretary-General in minimizing the expenditure of the Secretariat. This had of course placed limitations on the activities of AALCO, therefore it was important that all Member States pay their annual contributions in time and also pay their outstanding arrears. Having said that he inquired how many Member States were attending the Extraordinary Session and whether that number was the required quorum and could it adopt the Budget for the Year 2009? Having said that he stated that the Secretariat had divided the Member States into three categories of arrears, he wondered how these arrears could be collected from them, and on what basis these countries would pay their arrears as the number of years varied from two to twenty-five. He hoped that the Extraordinary Session would be successful in achieving the desired objectives.

88. **Dr. Inouye, Deputy Secretary-General** mentioned first, that 20 Member States were attending the Extraordinary Session. Second, he replied that there were three categories of Member States in arrears: (a) arrears for two years, (b) arrears between 2-10 years, and (c) arrears more than 10 years. According to the Action Plan, countries in category (a) should clear their arrears before end of January 2009. For countries in category (b) a MOU would be signed before end of January and they would be required to pay their arrears within two years i.e. between 2009 and 2010. The countries in

category (c) would be required to clear their arrears within 8 years or as mutually decided between the Member State and the Secretary-General.

89. The **Secretary-General** responding to the Leader of Delegation of the Islamic Republic of Iran said that according to Rule 22 of the Statutory Rules the quorum for any meeting was 1/3<sup>rd</sup> of the total participating States. The decisions however may be taken by a two-third majority of Member States present and voting. Thus, 20 Member States present at the Extraordinary Session fulfilled both the requirements of Rule 22 and could take the requisite decisions including adopting the Budget for the year 2009.

90. The **Leader of Delegation of the People's Republic of China** summarized his statement into the following points: The Chinese Government attaches great importance to AALCO, it appreciated the excellent work done by AALCO since its establishment in 1956, there were more reasons to better use AALCO for the States in Asia and Africa bearing in mind that the new Secretary-General could perform better with the infrastructure provided for in the Permanent Headquarters building, the Chinese Government had always supported the work of AALCO by paying its contribution on time and had made a donation of office equipment in the permanent headquarters in last July and were considering to make further donations in the future. Finally, regarding the Budget for the Year 2009 they basically had no problem, he called upon the Members of AALCO not only to find ways to survive the current financial crisis but to help AALCO to develop in a sustainable manner in the future.

91. The **Leader of Delegation of the Republic of Korea** shared grave concern about the financial crisis of AALCO. This was the reason that her Government had not only sent its annual contribution but also made a voluntary contribution, based on the Cape Town proposal of 2007. It was deemed necessary for AALCO to take immediate action to overcome this situation, in this regard the Korean Government suggested that the AALCO Secretariat further streamline its expenses, because at present it was not only AALCO that was facing financial problems, rather the global financial crisis had effected many countries and they were trying to streamline their own budgets. Thus, it was deemed necessary that the AALCO Secretariat make those efforts. It was also important that Member States pay their contributions in time. The Government of the Republic of Korea in principle was in favour of the Action Plan, prepared by the Secretariat except for the Action "E" which calls for a "Demarche" against Member States in arrears. In her view such kind of peer pressure would lead to conflict and division between Member States, and was clearly against the spirit of AALCO which requires cooperation among the Member States. Therefore, such an action must not be taken.

92. The **Leader of Delegation of Malaysia** joined the speakers before him in expressing gratitude to the Secretariat, President and the Secretary-General for convening this very important meeting. Malaysia also attached immense importance to the Organization, and believed that they would associate themselves with the statement made by the Attorney General of Uganda on the proposal put forward by the Secretary-General on the importance of convening this meeting. He noted that the two main reasons for the current financial crisis were the massive accumulation of arrears and the non-revision of

the scale of contributions from Member States since 1993. With respect to the first reason for the current financial crisis, namely the arrears problem, it was very necessary to hear a response from the States in arrears because no proposal would work unless they respond to the positive call made by the Secretary-General. Thus, he was not too sure whether the States in arrears were present at the Extraordinary Session, if yes then it would be prudent to listen to them first before making any comment on this issue.

93. Regarding the second issue of non-revision of annual contribution for the past 15 years he had noted the proposal of the Secretary-General to constitute an Advisory Panel of Liaison Officers to advise him on the proposals to be made at the forthcoming Annual Session. The delegation of Malaysia would be represented at those meetings, and looked forward to the outcome.

94. Regarding the Action Plans proposed by the Secretary-General he had noted all of them out of these Malaysia would respond to the call for the One-time Voluntary Grant, Malaysia was seriously thinking of making such a grant and they would inform the Secretary-General as soon as the amount was finalized. Regarding the point made by the Secretary-General that AALCO would have to make its presence felt internationally, all the proposals had been noted, however they were of the view that AALCO should make its presence felt internationally, would have to be further scrutinized by the Member States, although they believed that AALCO could play a very positive role in fulfilling the purpose of its establishment.

95. The Delegate noted the budget of 2009 which was in two stages and supported it. However, he sought clarification in the 2009 budget on the Reserve Fund which did not reflect the interest on the same, as opposed to the 2008 budget which reflects an amount of US \$ 7,400 as interest on the Reserve Fund?

96. **Dr. Inouye, Deputy Secretary-General** clarified that the budget did not reflect the interest on the Reserve Fund as it was likely to be utilized soon.

97. The **Leader of Delegation of Indonesia** conveyed the regards of the Director-General for the International Treaties Department of the Ministry of Foreign Affairs who was to attend the Extraordinary Session and could not due to some other assignment. He appreciated the acknowledgment given to Indonesia by the Secretary-General in his statement, and in that connection referred to the documents prepared by the Secretariat reflecting the contributions made by the Government of Indonesia in the work of AALCO. In principle the Government of Indonesia agreed with the Action Plan proposed by the Secretary-General to collect the outstanding arrears. As for the Voluntary Contribution in principle Indonesia was open for further discussions on the possibilities for Voluntary Contributions to be borne by some Member Countries provided that the most important issue at hand, regarding arrears, is solved as soon as possible.

98. The **Leader of Delegation of Ghana** thanked the President and Secretary-General for convening the Extraordinary Session to discuss the issue of the financial crisis facing AALCO. Ghana in principle supported the course of action proposed by the

Secretary-General and looked forward to working with the Secretary-general particularly in implementing the long term measures and to later endorse it. The Delegate mentioned that Ghana was in arrears for three years and earlier this year the contribution for last year had been remitted to AALCO. The problem was a miscommunication as to the actual amount payable by Ghana. Since this position was clear he was working with the concerned officials to get the payment cleared and transferred. He hoped that early next year the payment due from Ghana would reach AALCO. He supported the issue of reforms suggested by the Secretary-General; however a few issues required further clarification and could be taken up at a later date. He supported the principle that there was need for transparency in the financial system of the Organization and the way in which the funds were utilized for the activities of the Organization. Regarding the new activities proposed more or less commercializing the activities of AALCO, while they could support the direction they also said caution should be exercised in certain aspects in terms of activities proposed to be undertaken. In terms of legal advice to countries, the question that could arise is if two Member States of AALCO have a dispute which one would get support? All these issues needed careful consideration, and he was sure that at some point a more detailed proposal could be given by Ghana.

99. The **Leader of Delegation of Japan** while referring to the Budget for 2009 mentioned that if the budget was approved, the financial year of each country was different for example the financial year in Japan begins in April but in some other country it could be February or March or even later. Therefore, generally speaking the period from January-March was the period when the Secretariat would face maximum financial difficulty; therefore during that period the Secretariat should request Member States to clear their arrears as a priority. He repeated his earlier stance that Japan could only approve the first part of the Budget for the year 2009.

100. The **Leader of Delegation of India** thanked the President and Secretary-General for convening this Extraordinary Meeting. His delegation was deeply concerned with the financial situation of the Organization. On the aspect of the proposed Budget for the Year 2009, his delegation was of the view that the budget was reasonable. In view of how the Supplementary Budget would be spent and in case the money was not accumulated what would happen? All these aspects had been covered by the Secretary-General in his statement. Reflecting on the Action Plan he made some comments and suggestions, most important being on the scale of assessment of the revised contributions. The Delegation believed that it was important for any institution or international organization to revise periodically its scale of assessed contributions on a regular pattern. However, at present this had to be done keeping in mind the reality of the current global financial crisis, thus, ideally such revision should be a gradual process, avoiding a big leap as this perhaps would not be in the interest of the membership of the Organization. Thus, they supported the revision of the contribution but said it needs to be done cautiously.

101. Reflecting on the alternative means of generating revenue the delegation had some problems with the proposal of giving consultancy to non-governmental organizations and private bodies. The Delegation believed that AALCO was a unique inter-governmental Organization, and should not lose its stature. It was in fact the voice

of the Asian and African countries on International Law. Therefore, commercialization of this kind would undermine the very basic purpose for which this institution was established. While generating revenue with having consultancy with intergovernmental organizations could be welcomed, serious reservation was expressed as to rendering consultancy to private parties and companies, when that kind of exercise is undertaken; there was a possibility that it could lose its Observer Status at the International Organizations e.g the United Nations, where it is one of the most respected inter governmental organizations. The delegate stated that India has always supported AALCO and in the hour of financial crisis, that support moral or otherwise could be expected from India that would of course require extensive deliberations with the headquarters. Finally, on behalf of the Government of India he thanked the delegations that had expressed solidarity with India in the very difficult time of terrorist attacks in Mumbai.

102. The **Secretary-General** replied to some of the queries raised by some delegations. Firstly, replying to the Attorney-General of Uganda on whether the adoption of the Budget for the Year 2009 would solve the problem of the financial crisis of AALCO, he referred to the Action Plan and said that if the delegations agreed to revise the contributions and if the arrears were settled in two years, and if other measures proposed like providing consultancy and increasing the membership of AALCO, bearing in mind that there were some African countries desirous of joining the Organization, if all these factors were taken into account AALCO's financial problems would be solved. Thus, the period of coming two years is crucial for AALCO, and he was hopeful that within this period if the arrears were cleared it would ease out the financial problems considerably. Secondly, he stated that he had noted the suggestion of India that the revision of the scale of contributions should be done very cautiously and on a regular basis, if this could be implemented AALCO would be in a better position financially. He hoped that with reforms in the financial management, accountability, transparency, if all these could be implemented, he was hopeful that the Secretariat would be able to clear its pending liabilities for example the rent of the earlier rented office building and Secretary-General's residence, payment due to the interior designer. All this would however be possible from the extra money received either as arrears or voluntary contributions from Member States. Finally, he reassured the Attorney-General of Uganda that he would be able to do all this and more subject to the support from Member States not only moral but financial as well.

103. The Secretary-General further stated that all the suggestions given by the Member States had been duly noted, on the question of the balance of Reserve Fund, he clarified that at the moment there was a balance of US \$ 1,40,336 (as on 13.10.08) this would get an interest of approximately US \$ 6,639, only if the Reserve Fund would not be used till October 2009, at the moment this fund had not been touched, however, he had a strong feeling that AALCO may have to use this Reserve Fund because it was well known that the financial year of all the Member States varied, and the Secretariat could not expect many contributions during the period January-March. Thus this would be a crucial period for AALCO when the Secretariat would not be left with any choice but to use the reserve Fund.



104. The **Leader of Delegation of Japan** stated that the Supplementary Fund would be made up of voluntary contributions from Member States, and at present it did not have any actual figures projected on that account. Therefore, in absence of any final calculations under that heading, could this meeting adopt the Supplementary Budget?

105. The **President** proposed that as all the Delegations had supported part I of the Budget for the Year 2009, it could be adopted. The President added that in his discussions with the Secretary-General, the provision for salaries for 2008-2009 was actually the same and the total amount for the local staff salaries was actually less in 2009, he asked the delegations whether they would respond to this situation? The President mentioned that there has to be some increment based on the cost of living and other factors, even if the 6<sup>th</sup> Pay Commission was not implemented.

106. The **Secretary-General** responded that this portion had been overlooked, nevertheless, the budget would be adjusted accordingly and revised salaries would be paid to the local staff. He proposed a 10% increment on the provision of the salary of the local staff. The President reiterated that the Secretary-General wished to revise the salaries of the local staff by increasing it by 10%. Therefore, the budgeted amount for 2009 as presented by the Secretariat was US \$ 435,895 would be increased by 10% on account of staff salaries, that comes to US \$ 20,000 = US \$ 455,895.

107. The **Leader of Delegation of Japan** inquired where this 10% would come from, would it be taken from the Supplementary Budget. According to the principles of accountability this portion should be taken from the voluntary contributions that were anticipated. Part 1 of the budget should stand as it is maintaining the balance between expenses and income. This was the fundamental position of Japan and he maintained that the 10% increase should be taken from the Supplementary Budget generated from voluntary contributions.

108. The **President** stated that Japan did not object to the increase of the local staff based on the cost of living, however, he would like it to be done from the same budget of US \$ 435,895.

109. The **Leader of Delegation of Japan** emphasized that the increase in the staff salary should only be done from the Supplementary Budget or voluntary contributions and not from the regular budget of the Organization.

110. The **President** remarked that the payment of salaries was obligatory on the Organization, what may be optional and open to discussion and subject to the Administrative Panel's recommendations is increase in salaries, but the normal increments and the cost of living is something that the Organization is obliged to pay. Thus, it could not be made contingent on voluntary contributions; it had to be a part of the normal budget.

111. The **Leader of Delegation of Japan** understood that this increase in local staff salary was an obligation, however, he suggested that in that case another budget needs to be drawn up to cover this amount.

112. The **President** while summing up the deliberations stated that this was his earlier remark that the increase in salaries would be agreeable to Japan provided it was managed in the same amount proposed in the budget. Thus, if the budget was maintained at US \$ 435,895, the salaries could be increased from the same. With this clarification Part I of the Budget for the year 2009 was adopted with the understanding that the portion relating to salaries would be suitably increased. The Secretariat would make adjustments to other parts of the budget, this would enable the Secretariat to send out the letters to Member States requesting them to make their payments from January 2009. As the financial year of AALCO begins in January, the President requested the Member States to ideally begin their payments in January so as to enable the Secretariat to meet their expenditures on salaries, maintenance of the Headquarters and also to allow them to plan for the Annual Session.

113. The **President** mentioned that one problem highlighted was that Member States had different financial years, and make their annual contributions once their budgets are approved, he mentioned that the financial year in India begins in April and normally they make their payment after April, but a similar situation was faced with UNIDROIT and the Permanent Court of Arbitration in Hague, but a special effort was made to make an extra provision for one year in advance and this way they were able to make their payment in January every year. This option could be considered by Member States. Questions were asked whether the approval of this budget and the Supplementary Budget would bring things on track. Here he emphasized that it was not a question of one years budget, this was a continuous process and first of all Member States in arrears should make all efforts to clear them expeditiously, and also decide to pay the contributions regularly. It was also agreed that the Secretariat should utilize its resources judiciously and wherever possible try to reduce expenditures. At the same time the Member States expected the Secretariat to do a great deal of work for them. They should come up with new innovative programmes of work which would help the Member Countries in the field of international legal issues, as this was an ever expanding field, and needs of Member States were accordingly increased. He was certain that under the able leadership of the new Secretary-General and his able staff this was possible; however the Member States need to strengthen their hands by giving them both moral and financial support. In conclusion, the President thanked the Member States for clearing Part I of the Budget for the Year 2009 and requested them to clear the arrears. The Secretariat had prepared a resolution on the financial matters of AALCO which was circulated and would be taken up for discussion after lunch.

114. The **Leader of Delegation of the State of Kuwait** while referring to the proposal for the increase in scale of annual contributions stated that this was the right time to do so, and suggested that the annual contributions of all the Member States which were paying below 6 Units be raised by 100%. Meaning that the countries paying 6 Units

would automatically pay 12%. For instance 0.5 Unit would automatically become 1 Unit, because in his view this was a very nominal amount for any Member State.

115. The **President** thanked the Leader of Delegation for his suggestion and stated that according to that proposal the Member States in the lower brackets would be expected to pay more, however, it was noted that those were the countries in arrears and because most of them were not present at the Extraordinary Session, he suggested that the Secretariat could examine this proposal in detail and discuss it at the Liaison Officers meeting and also in the Advisory Panel and report the outcome at the Annual Session.

**The meeting thereafter adjourned for lunch.**