



# UNWTO Basic Documents

## Volume III

Financial Regulations and Rules



# UNWTO

## Basic Documents

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#### Financial Regulations and Rules

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# **UNWTO**

# **Basic Documents**

## **Volume III**

### **Financial Regulations and Rules**



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# Introduction

This edition of the *UNWTO Basic Documents* brings together three volumes which constitute the main legal framework of the World Tourism Organization (UNWTO):

*Volume I – Statutes, Rules of Procedure, Agreements*, provides a general introduction into the Organization’s legal framework, role and functions. It includes the Statutes and the Financing Rules in its Annex. These outline the Organization’s budget and contributions of Members.

*Volume II – Staff Rules and Staff Regulations*, contains the framework for duties, rights and benefits of employees.

The present *Volume III – Financial Regulations and Rules*, constitute the framework governing the budgetary and financial transactions of the Organization. It comprises the Financial Regulations and the Detailed Financial Rules whereupon each chapter of the Financial Regulations has its corresponding chapter in the Detailed Financial Rules.

The Financial Regulations were adopted by the first General Assembly in 1975 and amended by the tenth (1993) and nineteenth (2011) General Assembly. The Detailed Financial Rules were adopted, for the first time, by the Executive Council in 1997 and the present text was established by the Secretary-General in consultation with the ninety-sixth Executive Council and the twentieth General Assembly, both in 2013. Effective as of 1 January 2014, the *Financial Regulations and Rules* are adapted to the IPSAS requirements and aligned with current UNWTO and UN structures and practices.



# Financial Regulations (FR)

and Annexes to Financial Regulations



## Chapter I

### Application

FR 1

The present Regulations shall govern the financial administration of the World Tourism Organization, hereinafter referred to as the Organization. They may be amended only by the General Assembly on the recommendation of the Executive Council. In the event of a conflict between any of these Regulations and the Statutes, the latter shall govern.



## Chapter II

### Financial period

FR 2            The financial period of the Organization shall be two years.

FR 3            The financial year shall be from 1 January to 31 December.





## Chapter III

### Budget

FR 4

1. The Secretary-General shall prepare the programme budget estimates and submit them to the Members of the Council at least three months before the corresponding session of the Council, together with an explanatory note.
2. The programme budget shall be expressed in Euros.
3. The budget estimates shall relate to revenue and expenditure for each financial year and shall be divided, according to their nature, into separate parts and into sections; the parts and sections shall be divided, according to the various types of revenue and expenditure, into headings and into items.
4. The budget estimates shall cover the proposed programme of work for each financial year of the following financial period and shall include any information, annexes or explanatory statements requested by or on behalf of the Assembly or Council and any further statements or annexes which the Secretary-General considers appropriate.
5. The financial implications of any decisions taken by the organs of the Organization shall remain within the limits of the approved budget. The Secretary-General shall report to the Assembly on the financial implications of any proposals concerning the Organization's activities before such proposals are adopted.
6. Technical cooperation projects shall be financed by means of resources other than the statutory contributions of Members of the Organization.

FR 5

1. (a) The appropriations approved by the Assembly for a financial period shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted.  
  
(b) The Secretary-General may also incur, subject to a subsequent budgetary authority, obligations for administrative expenses against a future year before appropriations are voted, when such obligations are necessary for the continued effective functioning of the Organization, provided such obligations do not exceed 50 % of the appropriations of the current financial period for the same administrative expenditure. The Secretary-General shall report thereon to the Council and the Assembly.
  
2. (a) Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligations of the financial period. The balance of the appropriations remaining unobligated at the close of a financial period, after deducting therefrom any contributions from Member States relating to that financial period which remain unpaid, shall be apportioned among Member States in proportion to their assessed contributions, paid in full for that financial period. The amount so apportioned to a Member State shall be applied as in regulation 10(1)(c). Nevertheless, upon recommendation of the Executive Council, the General Assembly may decide to allocate unobligated balances to the Working Capital Fund or the General Fund.  
  
(b) Unless the General Assembly decides to allocate unobligated balances to the General Fund or the Working Capital Fund, at the end of the twelve-month period provided for in regulation 5(2)(a), the remaining unspent balance of appropriations retained after deducting therefrom any contributions from Member States relating to the financial period of the appropriations which remain unpaid, shall be apportioned among Member States in proportion to their assessed contributions, paid in full, for that financial period. The amount so apportioned to a Member State shall be applied in regulation 10(1)(c).

3.
  - (a) Transfers between sections of the same part of the budget may be made by the Secretary-General with the concurrence of the Programme and Budget Committee. That concurrence shall not be necessary for transfers between headings or between items of the same section. The Secretary-General shall report to the Council on all such transfers at its next ordinary session.
  - (b) Transfers from one part of the budget to another shall be authorized by the Council on the recommendation of the Programme and Budget Committee.
  - (c) With the concurrence of the Programme and Budget Committee, the Secretary-General may carry forward appropriations from the first to the second financial year of each financial period. All appropriations carried forward shall be used in accordance with the approved programme for that financial period.
4. The Secretary-General shall so manage appropriations made for the financial period as to ensure that adequate funds will be available to meet expenditures during that period and that the obligations and expenditures correspond to the programme budget approved by the Assembly, subject to subparagraphs 3(a) and (b) above.



## Chapter IV

### Collection of contributions

FR 6

1. The contributions of Members of the Organization shall be determined according to the scale of assessments adopted by the Assembly.
2. In calculating the assessments for Associate Members, the Assembly shall take into account the special nature of their membership and limited rights they enjoy within the Organization.
3. The contributions payable by Affiliate Members shall be fixed by the Assembly at an amount corresponding to the administrative expenses incurred for the services to be supplied and the execution of their programme of work, established in consultation with the Chairman of the Committee of Affiliate Members.

FR 7

1. The amount of Members' contributions and advances to the Working Capital Fund, as decided by the Assembly pursuant to regulations 6 and 10(2)(c), shall be communicated to Members six months before the beginning of the financial year for which they are due.
2. Contributions and advances shall be due and payable in full within the first month of the financial year to which they relate. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.
3. The Secretary-General shall inform the Council of cases of justified arrears resulting from the budgetary systems existing in the various countries and dates of different financial years.

The Council may accept cases of justified arrears resulting from the budgetary systems existing in the various countries and the dates of different financial years.

## FR 8

1. If a Full, Associate or Affiliate Member is one or more years in arrears in the payment of its contributions, the Secretary-General shall send it a communication reminding it of the provisions of paragraph 2 of this regulation.
2. When the amount of the arrears due by a Full, Associate or Affiliate Member equals or exceeds the contributions due by it for two financial years, the Secretary-General shall, at the end of those two years, inform the Member accordingly and notify it that in accordance with paragraph 13 of the Financing Rules attached to the Organization's Statutes, it is deprived of the privileges enjoyed by Members in form of services and, in the case of a Full Member, of the right to vote.
3. This notification shall be brought by the Secretary-General to the attention of all organs of the Organization in which the Members concerned would normally be entitled to vote.
4. In each case provided for in paragraphs 1, 2 and 3 above, due account shall be taken of the acceptance by the Council of justified arrears as provided for in regulation 7 (4) of these Regulations.
5. On the recommendation of the Council, the Assembly may nevertheless permit a Member to which the provisions of paragraph 2 of this regulation apply to continue to enjoy the services of the Organization and, in the case of a Full Member, to participate in the voting of the organs of the Organization, provided it is found that the failure to pay is due to circumstances beyond the Member's control.
6. Pending a decision on the proposal by the Assembly, the Full Member shall not be entitled to continue to enjoy the services of the Organization or to vote and the Associate or Affiliate Member shall not be entitled to enjoy the services of the Organization.

7. If the Council finds that the failure to pay is due to circumstances beyond the control of the Member, it shall in its report:
    - (a) explain the nature of those circumstances; and
    - (b) indicate the measures which should be taken in order to settle the arrears.
  
  8. Any decision by the Assembly permitting a Full Member which is in arrears in the payment of its contributions to vote shall be valid for the session of the Assembly at which the decision is taken. Any such decision shall be operative in regard to the Council and any subsidiary organs until the opening of the session of the Assembly next following that at which it was taken.
  
  9. Any decision to permit a Full, Associate or Affiliate Member which is in arrears in the payment of its contributions to continue to enjoy the services of the Organization shall be valid until the opening of the next session following that at which it was taken.
- FR 9
1. A Member withdrawing from the Organization shall be liable for assessments on a *pro rata* basis up to the time when the withdrawal becomes effective.





## Chapter V

### Funds

FR 10

#### 1. General Fund

- (a) There shall be established a General Fund to which shall be credited revenue and receipts from contributions of Members, whether current or arrears, miscellaneous revenue and advances made from the Working Capital Fund; and from which shall be made general expenditure and reimbursements to the Working Capital Fund pursuant to regulation 10(2)(c).
- (b) Accounts in the General Fund shall be maintained in a way consistent with the provisions of regulation 4(3).
- (c) Subject to the provisions of regulation 5(2)(a) and paragraph 2(e) of this regulation, at the close of any financial period, any surplus balances shall be apportioned among Full and Associate Members in accordance with the scale of contributions applicable to that period, and the amount applicable to each Member shall be released and applied to liquidate, wholly or partly, first, any advance due by that Member to the Working Capital Fund; secondly, any arrears of contributions of that Member; and, thirdly, assessed contributions of that Member for the financial year following the year in which the audit is completed.
- (d) The contributions of Full Members, as defined in Article 4(a) and Article 5(2) of the Statutes of the Organization, that accede to the Organization between sessions of the Assembly shall be determined in accordance with the formula for the assessment of contributions adopted by the Assembly. These contributions shall be credited to the General Fund.
- (e) Voluntary contributions may be accepted by the Secretary-General provided that the purposes of such contributions and moneys are consistent with the policies, aims and activities of the Organization.

The acceptance of any such contributions and moneys which directly or indirectly involves additional financial obligations for Members shall require the consent of the Assembly.

- (f) Voluntary contributions, gifts, legacies and other extraordinary revenue and receipts for which no specific purpose is defined shall be treated as “miscellaneous revenue” and accrue to the General Fund. The Assembly shall determine the utilization of such miscellaneous revenue.

## 2. Working Capital Fund

- (a) A Working Capital Fund shall be established, the amount of which is to be fixed by the Assembly. Advance contributions of Members and any other revenue and receipts which the Assembly decides may be so used, shall be paid into the Working Capital Fund. When required, amounts therefrom shall be transferred to the General Fund.
- (b) The purpose of the Working Capital Fund shall be to advance moneys to the General Fund to finance budgetary expenditure pending receipt of contributions and, with prior authorization of the Executive Council for each particular case, to meet unforeseen needs and exceptional circumstances.
- (c) In addition to its first membership contribution made pursuant to regulation 6, in an amount to be determined by the Assembly, each Member shall make an advance contribution to be transferred to the Working Capital Fund. The moneys so derived from new Members shall, unless the Assembly decides otherwise, be considered as an increase to the level of the Working Capital Fund. Advance contributions made by a Member to the Fund shall be carried to the credit of that Member in the Fund.
- (d) When the amount of the Working Capital Fund, as determined by the Assembly, exceeds, in the opinion of the Assembly, the amount required for the purposes stated in paragraph 2(b) of this regulation, any excess of credits due to Members shall be released immediately from the Working Capital Fund and applied, first, to contributions in arrears; secondly, to current contributions; thirdly,

refunded or applied against future contributions, at the option of the Member concerned.

- (e) Advances made from the Working Capital Fund to finance budgetary expenditure under the present regulation 10(2)(b) shall be reimbursed from the General Fund as soon as and to the extent that revenue is available for that purpose, but in any case within the next financial period.
- (f) If a Member withdraws its membership in the Organization, any credit it may have in the Working Capital Fund shall be used towards liquidation of any financial obligation such a Member may have to the Organization. Any residual balance shall be refunded to the withdrawing Member.
- (g) Revenue derived from the investment, as defined in regulation 12(1), of funds held in the Working Capital Fund shall be regarded as “miscellaneous revenue” of the Organization and shall accrue to the General Fund.

### 3. Funds in Trust

- (a) Funds in Trust may, upon acceptance by the Council, be established to finance activities not provided for in the budget of the Organization which are of interest to some member countries or groups of countries. Such Funds shall be financed by voluntary contributions. A fee shall be charged by the Organization for administering these Funds.
- (b) Funds in Trust shall be used only for the purposes specified by the donors, provided the purposes of such contributions are consistent with the policies, aims and activities of the Organization. The purposes and limits of any Fund shall be clearly defined.
- (c) All costs relating to any Fund in Trust shall be a charge against the voluntary contributions concerned. Such Funds shall be administered in accordance with these Financial Regulations. Reports shall be made to the Council and, where necessary, to the Assembly on the management of the Funds in Trust.

#### 4. Voluntary Contributions Fund

- (a) A Voluntary Contributions Fund shall be established to account for voluntary contributions to the Organization's programme of work.
- (b) The fund shall be credited with voluntary contributions received in accordance with financial regulation 10.1 (e).
- (c) The fund shall be charged with the expenditures related to the activities designated by the Secretary-General with reference to the general programme of work and in accordance with the general destination indicated by the donor.

#### FR 11

1. Subject to the provision of regulation 12 (1), the Secretary-General shall designate the deposit institution (s) in which the funds of the Organization shall be kept.
2. The interest earned shall accrue to the General Fund, in accordance with the provisions of regulation 10(1).

#### FR 12

1. The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall report to the Council periodically on any such investments which he has made.
2. Subject to the provisions of regulation 10(2) (g), revenue derived from such investments shall accrue to the General Fund.

## Chapter VI

### Internal control

FR 13

1. The Secretary-General shall:
  - (a) in consultation with the Council establish detailed financial rules in order to ensure efficient financial administration based on principles of economy;
  - (b) cause all payments to be made on the basis of supporting vouchers and other documents that ensure that the services or goods have been received and that payment has not previously been made;
  - (c) designate the officer or officers who may receive moneys, incur obligations, and make payments on behalf of the Organization;
  - (d) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order to ensure:
    - (i) the regularity of the receipt, custody, and disposition of all financial resources of the Organization;
    - (ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Assembly, or with the purposes specified for Funds in Trust or Voluntary Contributions.
2. No obligations shall be incurred until appropriations or other authorizations have been made in writing under the authority of the Secretary-General.
3. The Secretary-General shall make suitable arrangements under which the Organization will be protected against loss on account of the conduct of officials who are entrusted by him with the custody or disbursement of funds.

4. The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores, and other assets, provided a statement thereof is submitted to the External Auditors with the accounts.
5. The Secretary-General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a statement of such payments is included in the accounts of the Organization.
6. The Secretary-General shall establish rules for the procurement of goods and services and other requirements, including procedures and modalities for conducting procurement.

## Chapter VII

### Accounts and financial statements

FR 14

1. The Secretary-General shall maintain such accounts as are necessary and shall prepare financial statements at the end of each financial year. These statements shall be presented in accordance with International Public Sector Accounting Standards (IPSAS) and include:
  - (a) Statement of Financial Position;
  - (b) Statement of Financial Performance;
  - (c) Statement of Changes in Net Assets/Equity;
  - (d) Cash Flow Statement;
  - (e) Statement of Comparison of Budgetary and Actual Accounts;
  - (f) Notes, including summary of significant accounting policies.
  
2. The Secretary-General shall also submit:
  - (a) the revenue and expenditure of all funds, made in accordance with regulation 4(3);
  - (b) the position of budgetary appropriations, including:
    - (i) the original budget appropriations;
    - (ii) the appropriations as modified by transfer;
    - (iii) credits, if any, other than the appropriations voted by the Assembly;
    - (iv) the amounts charged against those appropriations or any other credits.



3. The Secretary-General shall also give such other information as may be appropriate to indicate the financial position of the Organization.
4. The accounts and financial statements of the Organization shall be maintained and presented in Euros. Accounts may, be kept in other currencies when deemed necessary by the Secretary-General, provided that this entails no extra cost to the Organization's Members.
5. A separate account shall be maintained for each Fund in Trust.
6. The financial statements for each financial year of the financial period shall be submitted by the Secretary-General to the External Auditors elected under regulation 15 by 31 March following the end of that financial year.
7. By 30 April each year, the Secretary-General shall submit to the Council the audited financial statements of the previous financial year. The Secretary-General shall also submit twice a year to the Council an interim financial statement.
8. Gains and losses on currency exchange shall be credited or debited to the General Fund.

## Chapter VIII

### External audit

FR 15

1. The Assembly shall elect from among its Full Members, on the recommendation of the Council, two External Auditors to audit the accounts of the Organization.
2. The External Auditors shall be elected for a two-year term of office. Their term of office shall be renewable.

FR 16

1. The audit shall be conducted each year in conformity with generally accepted common audit standards and, subject to any special directions of the Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.
2. In addition to auditing, the External Auditors may make any observations they consider necessary with respect to the efficiency of the financial procedures and administration, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices. They shall carry out their duties in accordance with the provisions of Article 26(2) of the Statutes.
3. The External Auditors shall be independent and solely responsible for the conduct of the audit.
4. The Council may request the External Auditors to perform certain specific examinations and submit separate reports on the results.
5. The Secretary-General shall provide the External Auditors with the facilities they may require in the performance of the audit.

## FR 17

1. The External Auditors shall submit a report on the audit of the financial statements and relevant schedules, which shall include such information as they deem necessary.
2. The report of the External Auditors shall be transmitted to the Council, together with the audited financial statements, in accordance with any directions given by the Assembly. The Council shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.
3. The audit shall be carried out in accordance with the provisions of the annex to these Regulations.

## FR 18

The present Regulations shall enter into force on the date of their approval by the General Assembly.

## Annex I

1. The External Auditors shall perform jointly and severally the audit of the accounts of the Organization, including all Funds in Trust, in order to satisfy themselves:
  - (a) that the financial statements are in accordance with the books and records of the Organization;
  - (b) that the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;
  - (c) that the securities and moneys on deposit and on hand have been verified by certificates received direct from the Organization's depositaries or by actual count;
  - (d) that the internal controls, including the internal audit, are adequate;
  - (e) that the procedures satisfactory to the External Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditors shall be the sole judges as to the acceptance wholly or partly of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as they choose of all financial records, including those relating to supplies and equipment.
3. The External Auditors shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditors, necessary for the performance of the audit. The External

Auditors shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.

4. The External Auditors shall have no power to disallow items in the accounts and financial statements but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which they entertain doubt as to legality or propriety. Audit objections to these or any other transactions, arising during the examination of the accounts, shall be communicated immediately to the Secretary-General.
  
5. The External Auditors shall express and sign an opinion on the financial statements. The opinion shall include the following basic elements:
  - (a) The identification of the financial statements audited;
  - (b) a reference to the responsibility of the Secretary-General and the responsibility of the External Auditors;
  - (c) a reference to the audit standards followed;
  - (d) a description of the work performed;
  - (e) an expression of opinion on the financial statements as to whether:
    - (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
    - (ii) the financial statements were prepared in accordance with the stated accounting policies;
    - (iii) the accounting policies were applied on a basis consistent with that of the preceding financial year;
  - (f) an expression of opinion on the compliance of transactions with the financial regulations and legislative authority;
  - (g) the date of the opinion;
  - (h) the name and position of the External Auditors;

- (i) should it be necessary, a reference to the report of the External Auditors on the financial statements.
6. The report of the External Auditors on the financial statements should mention:
- (a) the type and scope of their examination;
  - (b) matters affecting the completeness or accuracy of the accounts including where appropriate:
    - (i) information necessary to the correct interpretation or the accounts;
    - (ii) any amounts which ought to have been received but which have not been brought to account;
    - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
    - (iv) expenditures not properly substantiated;
    - (v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
  - (c) other matters which should be brought to the notice of the General Assembly, such as:
    - (i) cases of fraud or presumptive fraud;
    - (ii) wasteful or improper expenditure of the Organization's money or others assets (notwithstanding that the accounting for the transaction may be correct);
    - (iii) expenditure likely to commit the Organization to further outlay on a large scale;
    - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
    - (v) expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;
    - (vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
    - (vii) expenditure not in conformity with the relevant authorizations;

- (d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;
  - (e) if appropriate, transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.
7. The External Auditors may make such observations with respect to their findings resulting from the audit and such comments on the Secretary-General's financial report as they deem appropriate to the General Assembly or to the Secretary-General.
  8. Whenever the scope of audit of the External Auditors is restricted, or whenever the External Auditors are unable to obtain sufficient evidence, they shall refer to the matter in their report, making clear the reasons for their comments and the effects on the financial position and the financial transactions as recorded.
  9. In no case shall the External Auditors include criticism in their report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.
  10. The External Auditors are not required to mention any matter referred to in the foregoing which, in their opinion, is insignificant in all respects.

## Annex II

# Formula for fixing the contributions of Member States

### General principles

1. The principle that the budget shall be financed by Member's contributions and the method of calculating these contributions are set forth in paragraph 3 of the Financing Rules attached to the Statutes, which reads as follows:

“The budget shall be financed by the contributions of the Members according to a method of apportionment to be determined by the Assembly, based on the level of economic development of and the importance of international tourism in each country, and by other receipts of the Organization.”

2. The General Assembly adopts the formula for apportioning among the Member States the amount of the expenditure financed by their contributions. The formula is based on the following principles:

- (a) Capacity to pay

A Member State's capacity to pay is evaluated on the basis of two economic factors, gross national product (GNP) adjusted according to the country's foreign debt and per capita gross national product (per capita GNP) and one technical factor, international tourism receipts (TR). These three factors are weighted according to the formula explained in paragraph 3 and thereafter.

- (b) Maximum and minimum shares

The scale of shares is fixed from 5 % for Member States that exceed 20 % of world GNP and from 3.20 % in decreasing order for the other Member States that do not exceed the aforementioned limit.

The minimum share applicable to Member States is 0.25 % of the budget.



## Cassification of countries according to their capacity to pay

### Reference statistics

3. The statistical data used to calculate the three factors mentioned in paragraph 2 (a) above are as follows:
  - for the economic factors: the data used by the United Nations to calculate the contributions of its Member States;
  - for the tourism factor: the data provided by the States Members of UNWTO or, failing that, obtained from the International Monetary Fund.

All three factors are based on the average data used by the United Nations to determine the economic factors. Any modification by the UN will be applied by UNWTO.

### Deductions – corrections

4. These factors are then corrected, if necessary, by the following deductions:
  - (a) Per capita gross national product:

A deduction is made from the gross national product of each Member State whose per capita gross national product is less than USD 4,318. The difference between the per capita gross national product and USD 4,318 is expressed as a percentage of USD 4,318, and 80% of this percentage is deducted from the gross national product of the State in question for the purposes of calculating its aliquot share.

The reference threshold for per capita gross national product as well as the deduction percentage are those applied by the UN in calculating the contributions of its Members, and any modification decided by the UN will be applied by UNWTO.
  - (b) An additional deduction is applied to the economic factors and the technical factor of 50, 75 and 87.5% in estimating the capacity to pay of States with small populations equal to or less than 1,000,000, equal to or less than 500,000 and equal to or less than 100,000, respectively; and

- (c) A supplementary schedule of direct deductions is also applied to the contribution of the last group in the scale of contributions of 10, 20 and 40 %<sup>1</sup> for countries with populations equal to or less than 1,000,000, 500,000 and 200,000<sup>2</sup>, respectively and which are situated in the last group before introducing the schedule of deductions mentioned above. The latter deduction of 40% shall also apply to all those countries that have the status of island and who are in the last group of the scale, regardless of whether they are located in a higher group before applying the additional deduction for small population in economic and technical factors.<sup>3</sup>
5. For each of the three factors thus determined, the data of all the Member States are multiplied by a corrective coefficient so as to bring their value proportionately in line with one million.

#### Weighting coefficients

6. After applying the above deductions and corrections, the following weighting coefficients are applied to each of the factors:

GNP	70 %	}	80 %	}	100 %
per capita GNP	10 %				
TR	20 %				

7. A Member State's capacity to pay is determined by the weighted sum total of the factors.

<sup>1</sup> Resolution A/RES/619(XX) (Zambia/Zimbabwe, 24 August – 29 August 2013).

<sup>2</sup> Resolution A/RES/619(XX) (Zambia/Zimbabwe, 24 August – 29 August 2013).

<sup>3</sup> Resolution A/RES/619(XX) (Zambia/Zimbabwe, 24 August – 29 August 2013).

### Calculation of contributions

8. Once the weighted data of each Member State are obtained, in accordance with the results of applying the formula described in paragraphs 3 to 7, the total amount of the budget to be apportioned will be distributed among the Member States classified in descending order into appropriate groups based on a proposal of the Secretary-General taking into account possible modifications in membership.
9. The scale might, if necessary, be reviewed, taking account of possible changes in membership, and that suitable modifications resulting from such a review should be proposed.<sup>4</sup>
10. The Member States whose contribution to the Organization's budget would increase, should benefit from an annual limit of 7.5% until their contribution match their actual capacity to pay. In order to balance the income from contributions, the reduction in contributions should also be limited and phased in.<sup>5</sup>
11. The formula for calculating contributions be applied, without restrictions when each Member arrives at the share corresponding to it.<sup>6</sup>
12. The contributions of the Associate Members should be divided into two separate categories each being 10% lower than the contribution of the Full Members in groups 13 and 9 respectively.

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4 Resolution A/RES/404 (XIII) (Santiago, Chile, 27 September – 1 October 1999).

5 Resolution A/RES/404 (XIII) (Santiago, Chile, 27 September – 1 October 1999).

6 Resolution A/RES/404 (XIII) (Santiago, Chile, 27 September – 1 October 1999).

# Detailed Financial Rules (DFR)

and Annexes to Detailed Financial Rules



# Chapter I

## Application

### Detailed Financial Rule I

- DFR I.1 These Detailed Financial Rules are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations.
- DFR I.2 The Detailed Financial Rules are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.
- DFR I.3 These Detailed Financial Rules shall be effective as from the date of issue. Any amendments that may be made shall take effect on the date of their publication.
- DFR I.4 In case of doubt, as to the interpretation of any of these Detailed Financial Rules, the Secretary-General shall make a ruling thereon.
- DFR I.5 The Secretary-General is responsible to the UNWTO General Assembly and Executive Council for the implementation of the Detailed Financial Rules.
- DFR I.6 The Secretary-General may delegate, together with authorization for re-delegation, such of her/his authority, as she/he deems necessary to secure effective administration of these Detailed Financial Rules.
- DFR I.7 Officials involved in any action that is contrary to the Financial Regulations, the Detailed Financial Rules, the policies or administrative instructions of the Organization may be held personally responsible for the consequences of such action.



## Chapter II

### Financial period

Detailed Financial Rule II

No Detailed Financial Rule is needed on Chapter II of the Financial Regulations.





## Chapter III

### Budget

Detailed Financial Rule III

#### Budget

- DRF III.1 The expenditure and revenue estimates, shall be prepared on a gross basis.
- DRF III.2 Appropriate officials shall submit annual programmes of work and budget estimates to the Secretary-General in such manner and at such time as may be requested.
- DRF III.3 The programme of work and budget estimates shall consolidate into a single presentation, as required by Regulation 4 of the Financial Regulations.

#### Plan of expenditure

- DRF III.4 In the interests of careful financial management, a Plan of Expenditure for each calendar year is prepared by the Secretary-General taking into account the expected receipts, the financial situation and the experience of previous budgetary periods. The Plan of Expenditure shall be submitted to the first session of the Executive Council of each calendar year.

#### Appropriations

- DRF III.5 The appropriations voted by the Assembly constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted, but no obligations may be incurred or payments made, until allotments have been issued in writing by the Secretary-General within the limits of the annual Plan of Expenditure prepared by him/her.

- DRF III.6 Officials to whom allotments are issued are responsible to the Secretary-General for the correct use of such allotments.

**Transfers of credits between sections (programmes) of the same part and transfers of credits between parts (major programmes) of the approved budget**

- DRF III.7 The Secretary-General is authorized to make such transfers between Sections (Programmes) of the same Part (Major Programmes) on closing the accounts for the financial year, after obtaining the authorization of the Programme and Budget Committee. For transfers between various Parts (Major Programmes) of the budget a recommendation from the Programme and Budget Committee and the authorization of the Executive Council should be sought. The authorization of the Programme and Budget Committee and of the Executive Council can also be obtained in written form.<sup>1</sup>
- DRF III.8 The Secretary-General is authorized, on a provisional basis, to use funds from the regular budget to cofinance and help to secure external contributions for technical cooperation projects, in accordance with the terms of reference and priorities of UNWTO's programme of work. The amounts that are used should be limited to a maximum of EUR 20,000 a project, on the understanding that UNWTO's share in any such cofinancing shall not exceed the amount received from the external source. Any cofinancing project should be reported to the Executive Council through the Programme and Budget Committee immediately after the project is signed.<sup>2</sup>

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1 DFR: Decision CE/DEC/3(XCVI) and resolution A/RES/634(XX) (Zambia/Zimbabwe, 24 August – 29 August 2013).

2 DFR: Resolution 400(XIII) and decision CE/DEC/9(LXI) (Santiago, Chile, 25 September 1999)

## Chapter IV

### Collection of contributions

Detailed Financial Rule IV

#### New Members

DFR IV.1 A new Member that has not been included in the assessment of contributions shall be required to make a contribution according to the scale applied to Members in the year in which it becomes a Member. This contribution shall be considered miscellaneous revenue for the current financial year. The contribution of a new Member for the calendar year in which it becomes a Member shall be based on the number of full months remaining in that year after the date on which the accession has come into force. In the event that the communication of the applicant country does not indicate the date of entry into force of its decision to join the Organization, the Secretary-General may agree with the applicant on the date on which its rights and obligations of membership will take effect. Until entry into force of its accession, the Secretary-General will be authorized to provide services to that Member in anticipation of those it would receive in the first year of membership of the Organization. The new Full Members shall in addition pay an advance to the Working Capital Fund on the basis of a whole year. The contribution of the new Member for the current calendar year shall be due and payable within thirty days of receipt of the notification by the Secretary-General.

#### Regularization of Affiliate Members in arrears

DFR IV.2 When an Affiliate Members falls under the provisions of Article 34 of the Organization's Statutes, the Secretary-General shall request the Affiliate Member to settle its arrears or to submit a payment plan within six months of the date of such notification, or to withdraw from the Organization. If such a Member does not comply with this request, the General Assembly, upon a proposal of the Secretary-General, may decide that it has ceased to be an Affiliate Member as from such date as the General Assembly may determine.

**Regularization former Affiliate Members with bad debts**

- DFR IV.3 The debts incurred by former Affiliate Member owing to non-payment of their contributions for five or more years should cease to appear in the Organization's financial statements.
- DFR IV.4 The amounts owed by these former Affiliate Members should be recorded in an additional list of "Former Affiliate Members with bad debts". This list will be consulted before new applications are accepted from former Members that may have incurred debts. Such candidates must discharge any outstanding debts before their applications are considered.
- DFR IV.5 Every year, the former Affiliate Members appearing on this list will be asked to cancel their debts. Any such debts collected will be treated as "miscellaneous revenue".

## Chapter V

### Funds

#### Detailed Financial Rule V

#### Revenue and receipt accounting

- DFR V.1 All receipts shall be entered into the accounts at the earliest opportunity.
- DFR V.2 Contributions to the Working Capital Fund shall be credited on the date of the entry into force of a country accession.
- DFR V.3 Assessed contribution revenue shall be credited at the beginning of the apportioned year in the relevant two-year budget.
- DFR V.4 Unconditional voluntary contributions are recorded as revenue at the date of receipt of a written confirmation or agreement.
- DFR V.5 Conditional voluntary contributions are recorded at the date receipt of a written confirmation or agreement as receivables/payables until the conditions are met at which time they are recorded as revenue.
- DFR V.6 In-kind contributions which can be reliably measured are recorded at the date of receipt.
- DFR V.7 Revenue from the sale of publications shall be credited at date of the invoice.

### Miscellaneous revenue

DFR V.8 Miscellaneous revenue shall be credited in the financial period to which it applies. Miscellaneous revenue includes:

- (a) revenue from interest;
- (b) contributions of new Members not included in the assessment of Members' contributions for the financial year;
- (c) the positive difference between gains and losses on exchange;
- (d) amounts recovered in respect of payments made by the Organization, if these are received after the end of the financial year in which those payments were made;
- (e) cheques not cashed within a period of twelve months of the date of issue when the cancellation takes place in a different financial year;
- (f) revenue from services rendered by the Organization;
- (g) revenue obtained from sale of surplus property including gain on sale of property, plant and equipment or intangible assets;
- (h) other voluntary contributions or miscellaneous revenue without a specific objective.

### Voluntary contributions

DFR V.9 Voluntary contributions may be accepted by the Secretary-General to diversify the sources of financing activities, particularly UNWTO's operational activities, and to augment the necessary resources by means of voluntary contributions from Member States and other public and private sources, provided they are consistent with the policies, aims and activities of the Organization. Voluntary contributions shall be credited to the General Fund or the Voluntary Contributions Fund (VCF) unless the contribution is to finance activities not provided for in the budget of the organization and the agreement concluded with the donor specifically indicates that the contributions are to be treated as Funds in Trust (FIT).

### Funds in Trust (FIT)

- DFR V.10 The purpose and limits of voluntary contributions as Funds in Trust must be clearly defined.
- DFR V.11 FIT shall be separately identifiable from that of the Organization's budget and the Secretary-General shall report annually on FIT contributions.
- DFR V.12 FIT unspent at the end of a financial year may be carried over and utilized in the following year.
- DFR V.13 Project Support Costs on FIT contributions shall be charged at a rate established by the Secretary-General in accordance with cost recovery guidelines under Annex III to these Rules.

### Voluntary Contributions Fund (VCF)

- DFR V.14 Voluntary contributions to the VCF may be directed to the Organization's programme of work specifying or without specifying a particular activity (for example: security and protection of tourists; facilitation; education and training; information, including statistics).
- DFR V.15 The VCF shall be separately identifiable from that of the Organization's budget and the Secretary-General shall report annually on the use of VCF contributions received.
- DFR V.16 VCF unspent at the end of a financial year may be carried over and utilized in the following year.
- DFR V.17 The VCF, save as otherwise provided in these rules, shall be administered in accordance with the Financial Regulations of UNWTO.



- DFR V.18 The Secretary-General shall consult the Executive Council on the use of voluntary contributions to the VCF exceeding EUR 10,000 when the purpose of such voluntary contributions has not been specified.
- DFR V.19 Project Support Costs on VCF contributions shall be charged at a rate established by the Secretary-General and in accordance with the cost recovery guidelines under Annex III to these Rules.

### Management of cash resources

- DFR V.20 The Director of Administration is responsible to the Secretary-General for the management, receipt and disbursement of all cash resources of the Organization.
- DFR V.21 Cash resources of the Organization will be deposited only in banks, designated by the Secretary-General. The banks selected will be those that offer the best possible terms, based on criteria of efficiency, financial returns and risk. All cash resources must be deposited in accounts in the name of the Organization. In no case may an account of the Organization be opened in the name of a staff member.
- DFR V.22 Cash resources may be maintained in different currencies, taking into account the needs of the Organization and the trends in exchange rates that can reasonably be expected, and having regard to cautious financial management. Having regard to the anticipated needs for liquid assets and the financial returns expected, cash resources may be held in term deposit accounts or other investments in accordance with Annex IV.
- DFR V.23 The Director of Administration will administer all banking accounts operated by the Organization including those opened for trust, voluntary contributions, and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in chronological order. A separate ledger account shall be kept for each bank account.

- DFR V.24 A panel of signatures shall be designated by the Secretary-General and all disbursements against the Organization's banking accounts shall be signed by two officials.
- DFR V.25 No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance, and upon such conditions as may be agreed with the Secretary-General.
- DFR V.26 Annex IV to these Rules presents detailed cash management and investment guidelines.



## Chapter VI

### Internal control

Detailed Financial Rule VI

#### General

- DFR VI.1 The Director of Administration is responsible to the Secretary-General for establishing and maintaining effective internal controls for the financial transactions and other operations concerning the revenue and expenditure of the Organization.
- DFR VI.2 The financial risk management principles of the Organization are presented in Annex V to these Rules.

#### Obligations

- DFR VI.3 Only those officials designated in writing by the Secretary-General are authorized to incur obligations against allotments.
- DFR VI.4 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.
- DFR VI.5 Proposals to incur obligations must be made in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.

### Control of expenditure

- DFR VI.6 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization, which requires payment in advance of the delivery of goods or performance of services.
- DFR VI.7 The Secretary-General may, when he deems it in the interests of the Organization to do so, authorize progress payments.
- DFR VI.8 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:
- (a) services have been rendered or delivery has been completed in accordance with the terms of the purchase order or contract;
  - (b) the amount is correct and in accordance with the terms of the purchase order or contract.
- DFR VI.9 Should the Director of Administration feel there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.
- DFR VI.10 Claims submitted by staff members more than one year late shall not normally be considered. This rule does not apply to claims in connection with the settlement of insurance, pension claims or where otherwise provided by the Staff Rules of the Organization.

### Imprest cash system

- DFR VI.11 Imprest cash amounts to be fixed in each case shall be made where necessary to officials.
- DFR VI.12 Officials to whom an imprest cash amount is issued are responsible for these and must at all times be in a position to account for them.

## Advances

- DFR VI.13
- (a) Travel advances for extraordinary expenditure not covered by the Daily Subsistence Allowance may be made on request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with the travel guidelines established in accordance to Rule VI.39 and must be accounted for when the travel is completed.
  - (b) Advances may be made to officials for the payment of hospitality expenses provided for in the budget, subject to the Secretary-General's authorization. The supporting document for the expenditure shall be checked by the Director of Administration.
  - (c) Officials that have incurred medical expenses reimbursable by the Organization's medical insurance may request the Secretary-General for advances covering up to 90% of these expenses, provided that the amount advanced equals or exceeds 20% of their monthly salary.
  - (d) Any official shall be entitled, upon application, to be paid in advance any salary, benefit or allowance falling due during the period in which he will be on annual leave or official mission. The Secretary-General may also, at the request of an official, authorize to pay in advance any salary if he is satisfied that the reasons for the request are well founded.

## Property

- DFR VI.14
- (a) Property is defined as property, plant and equipment and intangible assets and supplies belonging to UNWTO or for which UNWTO is responsible, whether acquired by purchase, donation or other means. The conservation and use of the property entrusted to them by UNWTO shall be the responsibility of all staff members.
  - (b) Inventory record is defined as a permanent general record of property and specific inventories shall be maintained in accordance with the categories of property under VI.14 (c).
  - (c) Categories of property: Property is defined in paragraph (a) above falls into two categories.
    - (i) Non-expendable property consists of items of property, plant and

equipment and intangible assets valued at or above a threshold defined by the Secretary-General per unit, and with an economic life of more than one year. They shall be carried on the permanent general inventory of property. Works of art (heritage assets) decorating the Headquarters buildings are assimilated to this category.

- (ii) Expendable property is movable property whose acquisition cost or value is below the threshold defined in paragraph VI.14(c)(i) by the Secretary-General per unit. Expendable property with a value at or above a threshold defined by the Secretary-General per unit is carried on the permanent general inventory of property.

- (d) Supplies (expendable property): items or supplies consumed in the normal course of activities.

**DFR VI.15** The cost of all expendable property and supplies is immediately charged as an expense.

**DFR VI.16** Non-expendable items under VI.14(c)(i), except for heritage assets, are to be depreciated over the expected economic life on a straight line basis.

**DFR VI.17** An annual physical inventory is taken at 31 December of each year.

**DFR VI.18** The Secretary-General may declare property to be surplus if it is of no further use to the Organization.

**DFR VI.19** Surplus property shall be sold for the best possible return to the Organization except:

- (a) when the exchange of surplus property in partial payment for new articles is more advantageous to the Organization than the sale of surplus property and separate purchase of new articles;
- (b) when the destruction of the surplus or unserviceable material is more economical or when the confidential nature of the materials so warrants;

- (c) when the best interest of the Organization is served by disposal by gift or at nominal prices to a non-profit organization.

**DFR VI.20** Funds proceeding from the sale of property may be utilized for the acquisition of substitute property items, provided that the sale and acquisition take place during the same financial year.

### **Replacement Reserve (RR)**

**DFR VI.21** For each financial year budgetary appropriations may be established based on the depreciation determined for the non-expendable fixed assets and intangible assets acquired in previous financial years, so funds are available for:

- (a) replacement of non-expendable fixed assets and intangible assets;
- (b) acquisition of new non-expendable fixed assets and intangible assets as proposed by the Secretary-General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the Executive Council for confirmation;
- (c) improving infrastructure and/or administrative support as proposed by the Secretary-General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the Executive Council for confirmation.

**DFR VI.22** An amount based on the depreciation and amortization recorded in the financial statements of the previous year will be credited to the reserve.

**DFR VI.23** The reserve will be debited with:

- (a) Non-appropriated amounts for replacement or acquisition cost of non-expendable fixed assets and intangible assets not exceeding the reserve balance;



- (b) Amounts approved for infrastructure and/or administrative support enhancements not exceeding the reserve balance.

### Special Contingency Reserve (SCR)

- DFR VI.24** The Special Contingency Reserve (SCR) is established for special activities or unexpected events that may arise after the approval of the Organization draft programme of work by the General Assembly and that may require intervention of the Organization. The SCR may be utilized for activities or operations of an extraordinary nature not provided for in the budget of the Organization.
- DFR VI.25** The use of the Special Contingency Reserve shall be determined by the Secretary-General with prior authorization from the Executive Council, and subsequently reported to the Programme and Budget Committee for confirmation.<sup>3</sup>
- DFR VI.26** The SCR may be used to advance sums for extra-budgetary activities pending the receipt of pledged contributions. Advances from the SCR for extra-budgetary activities shall be approved by the Secretary-General.
- DFR VI.27** The SCR may be credited from surpluses of the General Fund on the recommendation of the Secretary-General and with the approval of the EC or from other funds designated by the General Assembly.
- DFR VI.28** The SCR will have the nature of a permanent reserve of the General Fund and shall be administered in accordance with the Financial Regulations of the Organization.

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<sup>3</sup> DFR: Decision CE/DEC/3(XCVI) and resolution A/RES/634(XX) (Zambia/Zimbabwe, 24 August – 29 August 2013).

## Procurement

### General principles of procurement

- DFR VI.29 Procurement is the acquisition, by purchase or lease, of expendable property and supplies, property, plant and equipment, as well as intangible assets and other requirements. Procurement functions include all actions necessary for such purpose.
- DFR VI.30 The following general principles, which are complementary to one another and of equal importance, shall be given due consideration when exercising the procurement functions of the UNWTO, and shall provide guidance in the absence of specific provisions in these Rules or other UNWTO procurement documentation, including invitations to bid or requests for proposals regarding specific procurement actions:
- (a) Best value for money;
  - (b) fairness, integrity and transparency;
  - (c) effective international competition;
  - (d) the interest of the UNWTO.
- DFR VI.31 Except as provided in Rule VI.35, all purchases under these Rules shall be carried out by means of competitive tenders, which will be obtained through invitations to bid, requests for proposals, or informal requests for quotations, as provided in Rule VI.33. Competitive tenders will be evaluated by committees established for that purpose.

### Authority and responsibility

- DFR VI.32 Authority and responsibility for procurement functions at UNWTO shall be as follows:
- (a) The Secretary-General, responsible for the procurement functions of the UNWTO, shall establish all UNWTO procurement systems and shall designate the officials responsible for performing procurement functions, upon recommendation from the Director of Administration.

- (b) The Director of Administration shall act as Chief Procurement Officer and shall issue solicitation documents, award and sign all procurement contracts whose value exceeds EUR 2,500, provided that sufficient funds have been identified and reserved for that purpose. For the purposes of these Regulations and Rules, procurement contracts include agreements or other written instruments such as purchase orders or contracts, and amendments thereto, that involve a benefit to the UNWTO.
- (c) The Secretary-General, upon recommendation from the Director of Administration, shall establish a Procurement Review Committee to render written advice to the Director of Administration on procurement actions leading to the award of procurement contracts to the same vendor whose value exceeds EUR 30,000 per calendar year. Amendments to existing contracts shall not require review by the Procurement Review Committee in the following cases:
  - (i) when the total value of the contract, including the amendment, does not exceed EUR 30,000;
  - (ii) when the amount of the amendment does not exceed EUR 5,000.
- (d) The Secretary-General, upon recommendation from the Director of Administration, shall establish the composition and the terms of reference of such committee, including the maximum time frame in which it should render its recommendation to the Director of Administration.
- (e) Where the advice of the Procurement Review Committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Director of Administration decides not to accept the advice of the committee, he or she shall record in writing the reasons for that decision.

## Competition

**DFR VI.33** Consistent with the principles set out in Rule VI.30 and except as otherwise provided in Rule VI.35, procurement contracts shall be awarded on the basis of effective international competition, and to this end the competitive process shall, as necessary, include:

- (a) procurement planning for developing an overall procurement strategy and procurement methodologies;

- (b) market research for identifying potential suppliers;
- (c) consideration of prudent commercial practices;
- (d) use of solicitation processes as follows:
  - (i) informal requests for quotations for contracts whose intended value does not exceed EUR 5,000;
  - (ii) limited competitive bidding through invitations to bid or requests for proposals addressed to at least five potential bidders, for contracts whose intended value does not exceed EUR 30,000;
  - (iii) open competitive bidding through invitations to bid and requests for proposals advertised at least on the UNWTO website for a minimum period of fifteen calendar days for contracts whose intended value exceeds EUR 30,000.

#### Methods of solicitation

DFR VI.34 UNWTO shall use the following methods of solicitation:

- (a) Whenever the nature of the goods or services can be sufficiently specified and the goods or services are readily available in the market, procurement actions shall be carried out by means of invitations to bid, and the contract shall be awarded to the qualified offeror whose bid substantially conforms to the technical requirements of the invitation to bid and has been evaluated as the bid with the lowest cost.
- (b) When the goods or services cannot be sufficiently specified to allow for the use of invitations to bid, procurement actions may be carried out by means of request for proposals. Requests for proposals shall always include a list of all factors, including price, that will be evaluated and the methodology for their evaluation. The procurement contract shall be awarded to the qualified offeror whose proposal is considered to be the most responsive to the requirements set forth in the request for proposals.
- (c) Subject to the provisions in Rule VI.33(d), procurement of readily available off-the-shelf goods, standard specification commodities, or simple services may be carried out by comparing price quotations obtained from at least three different offerors by means of informal requests for quotations, provided that the process assures competitive prices.

- (d) The Director of Administration may, in the interest of the UNWTO, reject any or all bids or proposals for a particular procurement action, recording the reasons for the rejection in writing, including but not limited to unrealistically low bids, and cancellation of the procurement action.

### Exceptions to competition

DFR VI.35 Exceptions to competitive bidding shall only be permitted as follows:

- (a) Procurement actions whose value does not exceed EUR 2,500 per calendar year in contracts awarded to the same vendor may be carried out by direct negotiation with a single supplier.
- (b) The Secretary-General, upon recommendation from the Chief Procurement Officer, may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the UNWTO:
  - (i) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary product or service;
  - (ii) when there has been a previous determination or there is a need to standardize the requirement;
  - (iii) when the proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule VI.36;
  - (iv) when offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;
  - (v) when, within a reasonable prior period, a formal solicitation has not produced satisfactory results;
  - (vi) when the proposed procurement contract is for the purchase or lease of property and plant (real property) and market conditions do not allow for effective competition;
  - (vii) when there is an exigency for the requirement;
  - (viii) when the Secretary-General otherwise determines that a formal solicitation will not give satisfactory results.

- (c) When a determination is made pursuant to subparagraph (b) above, the Chief Procurement Officer shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

## Cooperation

**DFR VI.36** The Director of Administration may cooperate with other organizations of the United Nations system to meet the procurement requirements of the UNWTO. The Director of Administration may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or the UNWTO entering into a contract relying on a procurement decision of another United Nations organization or requesting another United Nations organization to carry out procurement activities on behalf of the UNWTO.

## Written contracts

**DFR VI.37** Written procurement contracts shall be used by UNWTO as follows:

- (a) Written procurement contracts shall be used to formalize every procurement action with a monetary value exceeding EUR 2,500. Such contracts shall, as appropriate, specify in detail:
  - (i) the nature of the products or services being procured;
  - (ii) the quantity being procured;
  - (iii) the contract or unit price;
  - (iv) the period covered;
  - (v) conditions to be fulfilled, including the UNWTO general conditions of contract and implications for non-delivery;
  - (vi) terms of delivery and disbursement;
  - (vii) name and address of supplier.
- (b) For procurement actions whose value does not exceed EUR 2,500, the authorization of funds, together with a quotation from the supplier and the corresponding invoice will suffice in order to document the contract.

- (c) The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before any electronic means of data interchange is used, the Director of Administration shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information.

### **Contracts with individuals**

**DFR VI.38** When the total value of the contract with an individual exceeds EUR 50,000 per calendar year, a selection process will be conducted unless otherwise authorised by the Secretary-General in accordance with article VI.35(b).

### **Travel**

**DFR VI.39** Annex I to these Rules establishes guidelines for travel.

### **Publications**

**DFR VI.40** Annex II to these Rules establishes guidelines for publication sales, inventories and other related publications processes.

## Chapter VII

# Accounts and financial statements

Detailed Financial Rule VII

### Accounts

- DFR VII.1 The Director of Administration is responsible to the Secretary-General for establishing and maintaining all official accounts of the Organization.
- DFR VII.2 Obligations shall be recorded in the accounts of the financial year in which they are incurred.
- DFR VII.3 Receipts and revenue shall be credited to the accounts of the financial year in accordance with Detailed Financial Rule V.
- DFR VII.4 Expense shall be recorded in the accounts of the financial year in which it is incurred.
- DFR VII.5 The accounts shall comprise the general accounts, budget accounts, and treasury accounts from which the periodic financial statements shall be prepared.
- DFR VII.6 All accounts shall be supported by documentation to be retained as an integral part of the official accounts of the Organization.
- DFR VII.7 The accounting records shall be kept for a period of at least ten years. The supporting documents for revenue and expenditure shall be maintained until the final approval of the Organization's accounts by the General Assembly and for a minimum period of five years. Once these time-limits have elapsed, these records and documents may be destroyed by authorization of the Secretary-General.



### General accounts

DFR VII.8 The general accounts shall record revenue and expense, cash at banks, investments, receivables, property plant and equipment, other assets, payables, other liabilities, reserves including the Working Capital Fund and include trust funds, Voluntary Contributions Funds, and special accounts as may be established.

### Treasury accounts

DFR VII.9 Treasury accounts shall comprise:

- (a) Cash accounts and other cash items showing all receipts and disbursements of the Organization;
- (b) Voluntary Contributions Funds, Funds in Trust and other special cash accounts,
- (c) Members' contribution records showing the amounts assessed, received and uncollected;
- (d) Members' advances to the Working Capital Fund, showing the amounts assessed, received and uncollected;
- (e) investment ledger, giving full details of all investments made by the Organization.

### Financial statements

DFR VII.10 The Director of Administration shall furnish to the Secretary-General:

- (a) periodic statements of cash on hand;
- (b) periodic statements of budgetary status showing:
  - (i) allotments made;
  - (ii) obligations incurred and liquidated;
  - (iii) expenditure;
  - (iv) unobligated balances;

- (c) periodic statements showing:
  - (i) outstanding contributions;
  - (ii) status of advances to the Working Capital Fund;
  - (iii) the operations and financial position of the Working Capital Fund;
  - (iv) the state of other special funds, if any;
  
- (d) periodic statements showing:
  - (i) status of Voluntary Contributions Funds; and
  - (ii) status of Funds in Trust;
  
- (e) as early as possible each year detailed statements as at 31 December immediately preceding as follows:
  - (i) Financial statements and notes for each financial period as required under Financial Regulation 14(1) including comparative information for the previous financial period;
  - (ii) a budget statement showing appropriations voted, allotments approved and expenditure made;
  - (iii) a statement of outstanding legal obligations as at 31 December for which are charged against budgetary appropriations and which will remain available for a further twelve months;
  - (iv) a statement of outstanding legal obligations as at 31 December, which shall be charged against the appropriations of the succeeding year;
  - (v) a statement of Funds in Trust, Voluntary Contributions Funds and other special funds;
  - (vi) a statement of the Working Capital Fund showing the establishment and composition thereof, advances made therefrom and the cash available;
  - (vii) a statement of cash and other assets losses which have been incurred during the year indicating how these have been dealt with in the accounts.



## Chapter VIII

### External audit

Detailed Financial Rule VIII

All funds and accounts of the Organization including the General Fund, the Voluntary Contribution Fund and Fund in Trust are subject to audit each year by the external auditors of the Organization.



# Annex I

## Travel guidelines

(in accordance with Detailed Financial Rule VI.39)

1. The purpose of these guidelines is to describe the criteria and procedures applicable to official travel outside the area of duty station and to travel of staff members and families under the Staff Rules and Regulations of the Organization (SRR 21).

### Categories of travel

2. The official travel categories are as follows:
  - (a) Mission travel: travel on official business.
  - (b) Entitlement travel: travel on appointment, travel on separation, home leave travel and education travel.

### Eligibility to travel

3. Mission travel applies to staff, collaborators (including those working away from Headquarters), experts serving in official and technical meetings and, members of governing bodies and subsidiary bodies. Entitlement travel applies to staff and family members, in accordance with Staff Rules and Regulations.
4. Travellers are responsible for certifying that travel is completed as planned and for keeping the necessary evidence for audit purposes, until the final approval of the Organization's accounts by the General Assembly.

## Authorization

5. All official travel shall be authorized by the Secretary-General. No ticket reservation or payment of DSA will be made without such authorization.

## Standards of travel and accommodation

### Mode of transportation

6. The mode of transportation shall be based on an economy and efficiency criteria, using the most cost-effective travel option.
7. The Secretary-General may travel first class.
8. The standards of air travel is at economy class in the most direct and economical route as determined by the Director of Administration. In line with UN standards, for travel of nine hours or more, one class above economy may be granted.
9. The standards of rail, bus or sea travel shall be at an equivalent of economy class, except for travel of nine hours or more, when one class above economy may be granted. When conditions warrant it, such as schedule, security, etc., the Secretary-General may grant an upgrade upon recommendation of the Director of Administration.
10. Travel by private motor car may be undertaken at the traveller's request if not exceeding the most cost effective travel option under arrangements made by the Organization for air, rail, bus or sea travel. Reimbursement of travel by private motor car is calculated in accordance with mileage rates established by the Secretary-General.

## Hotels

11. Travellers will be reimbursed for the expenses incurred in the accommodation of their choice in accordance with the DSA (Daily Subsistence Allowance) rates of the ICSC (International Civil Servant Commission), as stated in article 21 of this Annex. Exceptionally, the Secretary-General, upon recommendation of the Director of Administration, may authorise a higher reimbursement when conditions warrant it and a specific hotel has to be booked.

## Deviations from the standards of travel and accommodation in mission travel

12. If a traveller wishes to travel or take accommodation at a class higher than approved standard, the traveller may be permitted to do so by the Secretary-General provided she/he pays the difference in cost.
13. Exceptions to the mode of transportation for mission travel may be approved by the Secretary-General when special circumstances warrant it, such as for medical condition of the traveller, non-availability of the applicable standard, eminent persons, persons donating services free of charge and travel journeys considered of an arduous nature.

## Travel time and rest periods

### Travel time

14. Travel time is calculated on the basis of the most direct and economical route, and any additional time is to be deducted from the traveller's annual leave or, in the case of collaborators, from remuneration.
15. If a traveller wishes to take leave during mission travel, she/he should disclose the leave dates when requesting the official travel and have her/his official leave sheet signed before leaving on official travel.



### Rest periods

16. For travel by air or mostly by air, travellers shall be entitled to rest periods before commencing duties or a stopover for rest purposes as follows:
  - (a) If the scheduled travel time is from ten to twelve hours, in normal circumstances the traveller will not be obliged to take up her/his duties in the twelve hours following her/his arrival.
  - (b) If, after a stopover of not more than twelve hours, the duration of a journey is more than ten hours, the traveller will not have to assume her/his duties in the twelve hours following her/his arrival (half a day on the outward journey and half a day on the return journey). This will be applicable only if the duration of travel before the stopover exceeds ten hours.
  - (c) If the travel time exceeds twelve hours, in normal circumstances the traveller will not have to assume her/his duties in the twenty-four hours (one day) following her/his arrival at the destination.
  - (d) There will be no entitlement to a rest period for day-time travel lasting less than ten hours.
  - (e) If the rest period falls on a public holiday, a Saturday or a Sunday, the traveller will not be granted a compensatory working day off.
  - (f) If a traveller is asked to travel on mission on a non-working day, she/he will not be granted any compensatory time off.
  - (g) For long journeys by air (ten to twelve hours), *per diem* for an extra day in lieu of the rest day is not payable.

### Changes in official travel

17. Any changes to authorised official travel must be submitted in writing before undertaking the travel. Changes will be made only when approved by the Secretary-General.

18. On conclusion of an official travel, any change occurred in the travel arrangements owing to unforeseen circumstances after commencing the official travel, particularly, any change affecting the calculation of the DSA as established in article 21 below shall be reported within two weeks after the conclusion of such travel for its approval.

## Travel advances

### Daily subsistence allowance (*per diem*)

19. The daily subsistence allowance (DSA) (or *per diem*) are paid at the rates established by the United Nations through the International Civil Servant Commission (ICSC).
20. The DSA is calculated on a twenty-four hour basis, account being taken of the nights spent away from the duty station. If outward and return travel is undertaken on the same day, without an overnight stay and with a travel duration of no less than ten hours, half the DSA will be paid. If outward and return travel is undertaken on different days, with at least an overnight stay and with a difference between the departure time and the arrival time of no less than ten hours, half the DSA will be paid.
21. The DSA is broken down as follows:
  - (a) 50% for accommodation. If the government or host body provides free accommodation, the subsistence allowance will be reduced by the same percentage;
  - (b) 30% for meals (12% lunch, 12% dinner and 6% breakfast). The allowance will also be reduced if meals are provided free of charge in the same conditions as accommodation (see paragraph (i) above);
  - (c) 20% for miscellaneous expenses at the mission destination: taxi, bus, train and underground (subway) fares, telephone calls (local) and other incidental expenses;

### Terminal expenses

22. Terminal expenses cover the costs of travel to and from the port of entry and the hotel and are additional to the DSA.
23. If transfer were provided to the traveller through UNWTO's or a host organization's own transportation means terminal expenses are not claimable.
24. DSA and terminal expenses may be paid in advance, in order to simplify processing and reduce transaction costs.

### In-kind travel

25. The Secretary-General may accept in-kind travel from donors for purposes in line with the mission of the Organization. This includes travel by eligible travellers to meetings when they have been authorized by the Secretary-General to attend in an official capacity.
26. Most common forms of in-kind travel are tickets, accommodation, meals or other miscellaneous travel costs at the country of destination.
27. Prior to the acceptance of in-kind travel by the Secretary-General, the following requirements shall be determined:
  - (a) that the travel is for travel related to the traveller's official duties;
  - (b) that the travel is for attendance at a meeting or similar function in line with the mission of the Organization;
  - (c) the donor of the travel;
  - (d) the nature/form of the travel;

- (e) that the in-kind travel offered is in conformity with UNWTO travel standards as established in these Guidelines and with UNWTO rules, regulations and policies;
- (f) the cost of travel or the best possible estimate equivalent to fair value of such travel.

## Entitlement travel

### Travel on home leave

- 28. Staff entitled to home leave under the provisions of Staff Rule 18(1) will be entitled to payment of the travel expenses defined in Staff Rule 18(1).
- 29. Travel in connection with home leave will normally take place in the company of the family members of the staff in respect of whom she/he is entitled to family allowances (Staff Rule 21(2)). Exceptionally, the Secretary-General may authorize one of the staff's family members to travel separately.
- 30. The travel time allowed is one day for each outward and return journey of less than ten hours and two days for each outward and return journey of more than ten hours. If, for the convenience of an official, the Secretary-General authorizes travel by private motor car or by sea, the travel rest period will be calculated on the basis of the most direct route by air or rail.
- 31. For journeys on home leave, staff members are not permitted to travel in a class above economy.

### Education travel

- 32. Staff entitled for education travel under paragraph (d) of Staff Rule 13(6) for attendance at an educational institution outside the area of the duty station, will be paid, once every school year, for the child's return travel

expenses between the educational institution and the duty station in accordance with paragraph (a) of Staff Rule 13(6) and provided that the period between two official journeys chargeable to the Organization is not less than six months.

#### Travel on appointment and on separation

33. Staff entitled to travel on appointment and on separation, will be paid for travel expenses defined in Staff Rule 21 (1).
34. Travel in connection with appointment and separation will normally take place in the company of the family members of the official in respect of whom she/he is entitled to family allowances (Staff Rule 21 (2)). Exceptionally, the Secretary-General may authorize one of the official's family members to travel separately.
35. No DSA will be payable for travel undertaken for entitlement travel (travel on appointment, travel on separation, home leave travel and education travel).

#### Travel under the lump-sum option

36. For mission travel, external collaborators working away from Headquarters, experts serving in official and technical meetings and, members of governing bodies and subsidiary bodies may be provided with a lump-sum payment in lieu of all entitlements related to the particular travel.
37. The lump sum option for travel consists of a payment made to the traveller to make her/his own travel arrangements. This amount is deemed to cover all travel expenses including all other related entitlements such as surface transportation within the destination, DSA for stopovers, terminal expenses, accompanied excess baggage and unaccompanied shipment, insurance, visas, etc.. No additional payment will be made once the option has been exercised.

38. The lump-sum payment not exceed 100 % of the most cost-effective ticket fare plus 100 % of the DSA and terminal expenses which would correspond to the particular travel under the arrangements made by the Organization. The lump-sum option shall not be available on a partial basis.
39. Under the lump-sum option, the Organization may request the traveller to submit an evidence of the completion of the travel.

#### **Travel claims for official travel other than the lump-sum option**

40. Exceptional expenses not covered by the DSA, such as airport taxes, passport and visa fees, vaccination costs, taxi fares for the transport of heavy documents and material necessary for the official mission, communication costs, etc. may be claimed. Any purchase made for work purposes during an official mission and for which reimbursement is requested are considered property of the Organization.
41. All reimbursement requests other than those normally covered by the DSA, should be accompanied by the corresponding invoices, receipts, vouchers and, if applicable, by travel tickets. Claims in respect of official travel shall be submitted within two weeks after such travel has been completed.
42. If, on review of the claim, it is determined that the travel advance exceeded the amount of reimbursable travel expenses, the traveller shall be informed of the amount of overpayment, which shall be recovered through payroll or deducted from other payments due.

#### **Official travel inside the area of the duty station**

43. Attendance to official activities inside the area of the duty station is not considered mission travel.

44. When a duty station is considered safe and secure according to UN standards, the mode of transportation will be the use of suitable public transport modalities (metro, bus) if available. In exceptional cases approved by the Secretary-General or when a duty station is not considered safe and secure based on UN standards, taxi, private car or other mode of transport may also be considered.

## Annex II

### Publications guidelines

(in accordance with Detailed Financial Rule VI.40)

1. Dissemination and sharing of knowledge and information generated within the Organization is part of the Organization's mandate. One of the means to achieve this goal is through the distribution of publications.
2. The purpose of these guidelines is to provide the criteria and procedures applicable to financial events and transactions related to publications.

#### Definitions

3. Throughout these guidelines the following terms are used:
  - (a) Publications: refers to books, periodicals and other publications in print or electronic form.
  - (b) Inventories: refers to unsold printed publications.
  - (c) Copyright: refers to the rights on UNWTO publications and works, including the right to use or authorize others to use them on agreed terms.
  - (d) Publishing activity: refers to the management of the publication function within the General Fund.



### General guidelines

4. The Secretary-General shall authorize contents for publication
5. The Secretary-General may enter into contracts with external parties for the reproduction, distribution, consignment of the Organization's publications and other similar contracts.
6. Pricing of the different forms of publications shall take into consideration cost recovery, market trends and profit maximization.

### Revenues from the publishing activity

7. Revenues from the publishing activity shall be accounted for in a separate account.
8. The main sources of revenue are as follows:
  - (a) Virtual sales: sales of e-books and fees for access to the e-library are invoiced and recognized as revenues within the financial period when the access to the virtual publications is made.
  - (b) Sale of printed copies: sales of printed publications are invoiced and recognized as revenues upon shipment/dispatch except for sale of publications on consignment, revenue for which is recognized upon sale to the end-user.
  - (c) Royalties: revenues from copyright are invoiced and recognized upon access to use the publications.
  - (d) Subscriptions: payments from subscriptions are invoiced upon receipt and recognized as revenues as earned.
9. The Secretary-General may consider allocating revenues from other sources to the publishing activity.

## Sales returns and sales discounts

10. Contracts with distributors may include a clause regarding return of unsold copies within a defined period. Sales returns shall be accounted for separately from sales.
11. A provision for sales returns may be recognized in the financial statements.
12. Discounts may be granted to selected clients and shall be accounted for separately from sales.

## Inventories

### Type of inventories and valuation

13. Unsold publications shall be reported as inventory and valued in accordance with UNWTO accounting policies which are IPSAS compliant.
14. Members of the Organization are provided with free copies of publications. As most free publications are immediately distributed and expensed after production, any residual inventories considered as free publications are immaterial for inventory valuation purposes.
15. Raw materials are expensed on delivery and are not considered sufficiently material to be included as inventory.

### Physical inventory

16. At the end of each financial year, a physical count of publications held for sale shall be conducted. Material discrepancies between actual count and recorded balances shall be verified and explained.

### Cost of inventories

17. The carrying cost of unsold publications held for sale including publications on consignment, shall be computed in accordance with UNWTO accounting policies and recognized as an expense in the financial period in which the related revenue is recognized.
18. An inventory list, certified by the distributor, may serve as basis for computing the carrying cost of books on consignment.

### Write-down of inventories

19. At the end of each financial year, inventory of unsold publications shall be evaluated to determine any impairment in respect of their salability and/or obsolescence. Publications considered obsolete and/or no longer in demand may be removed from the publications catalogue of the Organization and written off.

### Expenses and costs of the publishing activity

20. The generation and production of the content is considered part of the Organization's mandate as defined in paragraph 1, therefore expenses on generation and production of content shall not be part of production expenses.
21. Main type of expenses are as follows:
  - (a) Production expenses: expenses incurred in the publication process which include all direct materials, direct labour, and allocated overhead expenses, when determinable.
  - (b) Selling expenses: expenses incurred to market and sell publications.
  - (c) Administrative expenses: expenses of the publishing activity other than production or selling expenses.

### Receipts, disbursements and accounting

22. The Organization may maintain a separate bank account, to which sales remittances are to be deposited.
  
23. All financial transactions for the publication activity are to be made in accordance with UNWTO Financial Regulations and Detailed Financial Rules.



## Annex III

### Cost recovery guidelines

(in accordance with Detailed Financial Rules V.13 and V.19)

#### Introduction

1. This annex to the Detailed Financial Rules (DFR) sets out the guidelines to ensure that all costs incurred in the utilization of Funds in Trust (FIT) and Voluntary Contribution Fund (VCF) are charged against the contribution received and sets the Project Support Costs (PSC) rate.

#### Legal framework

2. The recovery of costs related to FIT and VCF, including PSC is established in the Financial Regulations (FR) and Detailed Financial Rules:
  - (a) Financial Regulation 10.3 (FIT)
    - (i) [...] *A fee shall be charged by the Organization for administering these funds.*
    - (ii) *All costs relating to any Funds in Trust shall be a charge against the voluntary contributions concerned [...].*
  - (b) Financial Regulation 10.4 (VCF)  
*The fund shall be charged with the expenditures related to the activities [...].*
  - (c) Detailed Financial Rule V.13 (FIT)  
*Project Support Costs on FIT shall be charged at a rate authorized by the Secretary-General and in accordance with the cost recovery guidelines under Annex III to the rules.*
  - (d) Detailed Financial Rule V.19 (VCF)  
*Project Support Costs on VCF shall be charged at a rate authorized by the Secretary-General and in accordance with the cost recovery guidelines under Annex III to the rules.*

### Cost recovery principles<sup>1</sup>

3. UNWTO has adopted the principles for cost recovery set out by UN system organizations, whereby “all direct costs involved in extra budgetary projects should be charged directly to projects and all related variable indirect costs (programme support costs) should be recovered”. In the context of UNWTO, “extra budgetary projects” are those funded through voluntary contributions.

### Cost categories<sup>2</sup>

4. UNWTO has adopted the cost classification definitions agreed by UN system organizations, which are deemed to fall into three categories as follows:
  - (a) Direct costs:

All costs that are incurred for and can be traced in full to Organization’s activities, projects and programmes in fulfilment of its mandate. This cost category includes costs of project personnel, equipment, project premises, travel and any other input necessary to achieve the results and objectives set out in programmes and projects. All these costs are recoverable and should be charged directly to the projects.
  - (b) Variable indirect costs (referred to as Project Support Costs in these guidelines):

All costs that are incurred by the Organization as a function and in support of activities, projects and programmes, and which cannot be traced unequivocally to specific activities, project or programmes. These costs typically include service and administrative units, as well as their related system and operation. Usually referred to as Project Support Costs (PSC), these costs should be recovered in one way or another (as a percentage rate, or as a cost component of the project direct costs).

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1 CEB/2004/HLCM/FB/4.

2 CEB/2004/HLCM/FB/4.

## (c) Fixed indirect costs:

All costs that are incurred by the Organization regardless of the scope and level of its activities, and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include the top management of an organization, its corporate costs and statutory bodies not related to service provision. These costs should be financed by regular/core resources.

### Acceptance of voluntary contributions

5. Voluntary contributions accepted by UNWTO must meet the requirements of the FR and DFR in respect of cost recovery and shall cover all direct costs and Project Support Costs as defined above.
6. Fixed indirect costs are financed by regular resources and are not subject to these cost recovery guidelines.

### PSC Rate

7. The Secretary-General has determined that a Project Support Costs rate of at least 7% shall be applied to all voluntary contributions received<sup>3</sup>.

### Waiver or reduction of PSC

8. The Secretary-General may, in exceptional cases, decide to reduce or waive the PSC. All requests for reduction or waiver must be made in writing, include an appropriate justification and be submitted to the Director of Administration who will provide her/his recommendation on it to the Secretary-General for her/his decision.

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3 This means that if the direct costs of a project are estimated at EUR 10,000 the PSC is determined at EUR 700 and the contribution is EUR 10,700. Alternatively if the voluntary contribution is EUR 10,000 then the PSC is EUR 655 and the direct costs limited to EUR 9,345.



### PSC revenue recognition

9. Unconditional voluntary contributions are recorded as VCF or FIT revenue, including the PSC component, at the date the voluntary contribution is confirmed in writing or the agreement is signed. The PSC component of the VCF or FIT revenue is separately accounted for on receipt of the cash proportionate to the amount received.
10. Conditional voluntary contributions are recorded as VCF or FIT revenue, including the PSC component, when the conditions are met. The PSC component of the VCF or FIT revenue is separately accounted for once conditions are met.
11. On completion of the project (substantive and financial implementation) any excess of PSC recovered based on actual direct costs is accounted for in accordance with the donor agreement or retained and utilized within the VCF.

### Utilization of PSC

12. As described in paragraph 4(b) of the annex on cost recovery guidelines to the DFR, the PSC is charged for the purpose of covering variable indirect costs for administration, managerial, systems and financial services, including reporting.
13. PSC earned and any excess of PSC recovered are managed for budgetary purposes through a project account under the VCF. The Secretary-General may authorise its transfer, partly or in full to the General Fund for another use.
14. PSC is made available for expenditure in the following financial period.

15. The Secretary-General will approve budget proposals for the utilization of PSC under the VCF on the recommendation of the Director of Administration.
  
16. PSC expenditures are classified by nature as for all other expenditures in UNWTO.



## Annex IV

# Detailed cash management and investment guidelines

(in accordance with Detailed Financial Rule V.26)

### Introduction

1. This annex to the DFR sets out the guidelines for the management of cash resources to ensure that policies and procedures are set out to ensure that cash holdings are secure, liquid and provide a reasonable return. The guidelines also cover currency management and exchange, and the management of financial risk.

### Legal framework

2. The FR and DFR establish the responsibilities and authority in respect of cash management and investment as follows:
  - (a) Financial Regulation 11.1  
*Subject to the provision of regulation 12 (1), the Secretary-General shall designate the deposit institution(s) in which the funds of the Organization shall be kept.*
  - (b) Financial Regulation 12.1  
*The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall report to the Council periodically on any such investments which he has made.*
  - (c) Detailed Financial Rule V.20 (Management of cash resources)  
*The Director of Administration is responsible to the Secretary-General for the management, receipt and disbursement of all cash resources of the Organization.*

- (d) Detailed Financial Rule V.21 (Management of cash resources)  
*Cash resources of the Organization will be deposited only in banks, designated by the Secretary-General. The banks selected will be those that offer the best possible terms, based on criteria of efficiency, financial returns and risk. All cash resources must be deposited in accounts in the name of the Organization. In no case may an account of the Organization be opened in the name of a staff member.*
- (e) Detailed Financial Rule V.22 (Management of cash resources)  
*Cash resources may be maintained in different currencies, taking into account the needs of the Organization and the trends in exchange rates that can reasonably be expected, and having regard to cautious financial management. Having regard to the anticipated needs for liquid assets and the financial returns expected, cash resources may be held in term deposit accounts or other investments in accordance with Annex IV.*
- (f) Detailed Financial Rule V.23 (Management of cash resources)  
*The Director of Administration will administer all banking accounts operated by the Organization including those opened for trust, voluntary contributions, and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in chronological order. A separate ledger account shall be kept for each bank account.*
- (g) Detailed Financial Rule V.24 (Management of cash resources)  
*A panel of signatures shall be designated by the Secretary-General and all disbursements against the Organization's banking accounts shall be signed by two officials.*
- (h) Detailed Financial Rule V.25 (Management of cash resources)  
*No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance, and upon such conditions as may be agreed with the Secretary-General.*
- (i) Detailed Financial Rule V.26 (Management of cash resources)  
*Annex IV to these Rules presents detailed cash management and investment guidelines.*

- (j) Detailed Financial Rule VI.11 (Imprest cash)  
*Imprest cash amounts to be fixed in each case shall be made where necessary to officials.*

### Elements of cash management and investment

- 3. The three main elements are the following:
  - (a) Cash management to ensure effective control over cash resources and the maintenance of sufficient cash resources to meet short-term financial obligations and unforeseen outgoings;
  - (b) foreign exchange management to ensure that currency risk is minimized through the maintenance of cash resources in the functional currency of Euro and other currency holdings are limited to foreseeable disbursement requirements in that currency; and
  - (c) investment management to preserve the principal, ensure liquidity and achieve a reasonable rate of return.

### Cash management

#### Selection of banks and financial institutions

- 4. The selection of banks and financial institutions for cash and investment accounts will be made after a competitive procurement process comparing the quality of services offered, the cost of services, the international rating of the banks and return on funds. The selection process may be undertaken every seven years or earlier should there be a deterioration in the operating conditions or of the bank/financial institution's international rating.
- 5. The number of bank accounts at the Headquarters location will be limited to the extent possible while ensuring appropriate monitoring of the cash balances.

### Cash flow and monitoring

6. Cash flow forecasts (EUR and USD) will be made on a monthly basis and be signed off by the Director of Administration.
7. Bank balances will be monitored on a daily basis and excess of cash not required for short-term requirements may be transferred to higher interest earning or investment accounts.

### Receipts

8. All cash received must be secured and banked at the earliest opportunity.
9. Cheques will be endorsed "For deposit only to the account of UNWTO" and deposited at the earliest opportunity.
10. All receipts including those received directly into a UNWTO bank account will be recorded on a regular basis and at least once each week.
11. Numbered receipts will be issued for all cash and cheque receipts.

### Disbursement

12. Designated disbursement signatories will be informed in writing of their responsibilities and a register of signatories should be held.
13. The disbursement signatory ensures that the payment request
  - (a) has been financially verified as certified and approved;
  - (b) is supported by documentary evidence; and
  - (c) the payee and transfer information is correct.

14. Disbursements may be made by cheque, letter or electronic bank transfer, which will require joint signatures in all cases. Officials designated as signatories are also authorised to effect electronic transfers.

#### Bank reconciliation

15. Reconciliations of bank statements with the UNWTO accounting records prepared will be completed within 5 days of the month end.
16. A complete bank reconciliation statement will be signed off by the Director of Administration.
17. Any unpresented cheques will be transferred to accounts payable when appropriate. In the event that a debt becomes unpayable due to lack of action by the creditor the amount may be credited as miscellaneous revenue.

#### Imprest and petty cash accounts

18. Imprest accounts may be opened in non-Headquarters locations.
19. The opening of an imprest account must be authorized by the Director of Administration.
20. Imprest accounts will be operated as joint signature accounts unless, for practical reason a single signatory is approved by the Director of Administration.
21. Imprest accounts will be sourced by fund transfers from Headquarters (HQ) accounts.
22. Petty cash authorised by the Director of Administration and held for minor disbursements will be kept in a locked secure environment and records



of all transactions properly maintained. The Director of Administration will ensure that cash counts are performed periodically of petty cash accounts.

#### UNDP/other UN system organization services

23. UNWTO offices outside of Headquarters, in locations where the organization does not maintain bank or imprest accounts, may use the treasury services of UNDP or other UN system organizations. Transfers will be made from UNWTO to UNDP/other UN system Organization Headquarters or directly to their country offices. This account will be reconciled each month similarly to bank reconciliations.

#### Foreign exchange

24. Currencies other than Euro will be held only to the extent that such currencies are expected to be utilised within an appropriate period of time.
25. Currencies not required as above will be converted to Euro at the earliest opportunity.
26. The sale or purchase of material amounts of currencies will be made on a competitive basis.

#### Investments

27. Investments will be normally limited to bank deposits with a limited investment periods. Investments held in respect of employee liabilities may include long term financial instruments such as fixed-income securities.

28. Short-term investments will be made on the basis of a comparison of interest rates from two approved banks. Each short-term investment is backed by documentation setting out:
  - (a) Date of the transaction;
  - (b) amount;
  - (c) term of the deposit;
  - (d) banks and interest rates compared;
  - (e) bank and interest rate selected;
  - (f) sign off by the Director of Administration.
  
29. Investments of more than one year will be made in accordance with the investment policies approved by the Secretary-General.
  
30. The Director of Administration will be responsible for implementing the investment policies and periodically reports to the Secretary-General on investment, cash and foreign exchange management issues.



## Annex V

# Financial risk management principles

(in accordance with Detailed Financial Rule VI.02)

### Introduction

1. This annex to the DFR sets out the policies for the management of financial risk.

### Mandate

2. The disclosure of financial risk management policies is required under International Public Sector Accounting Standards.

### Financial risk

3. The financial risks faced by UNWTO are classified as follows:
  - (a) Exchange rate risk;
  - (b) interest rate risk;
  - (c) credit risk;
  - (d) counterpart risk.

### Management of financial risk

4. Being exposed to financial risks related to exchange rate variations, interest rates variations, credit risk for banks/financial institutions and debtors and counterpart risk, UNWTO shall keep under constant review the extent of the financial risk exposure.

5. Current financial risk management policies will be reported to the Council together with the Organization's financial statements.

#### Exchange risk

6. UNWTO will minimise its exchange rate risk by limiting its holdings in currencies other than the Euro to expected disbursement levels. Receivables and payables in non-Euro currencies will be settled promptly to minimize exchange rate risk.
7. UNWTO will use the United Nations Rate of Exchange (UNORE) to account for transactions in currencies other than the Euro to limit the exchange rate risk.
8. Year-end revaluations of non-Euro assets and liabilities will be made using the UNORE at the 31 December.

#### Interest rate risk

9. Interest rate risk will be managed by limiting investments to limited periods. Investments for long term employee liabilities may be based on asset/liability analysis and subsequent invest decisions. Risk management procedures for long-term investments are set out in the investment policies.

#### Credit risk

10. Credit risk with banks and financial institutions will be managed through a competitive procurement process including risk mitigation criteria and through a regular review of the bank/financial institution profiles and performance.
11. Credit risk on receivables being mostly related to the payment of Member State contributions, will be managed by using the Working Capital Fund and by restricting expenditures to available cash resources

and through the regular reporting to the Council of the Organization's financial situation and status of unpaid Member State contributions. Other risks on receivables will be managed in accordance to their nature and materiality.

#### Counterpart risk

12. The counterpart risks for longer-term investment instruments are set out in the investment policies approved by the Secretary-General.



## List of Abbreviations

DFR	Detailed Financial Rule
DSA	Daily Subsistence Allowance
EUR	Euro
FIT	Funds in Trust
FR	Financial Regulation
GNP	Gross national product
ICSC	International Civil Servant Commission
IPSAS	International Public Sector Accounting Standards
PSC	Project Support Costs
RR	Replacement Reserve
SCR	Special Contingency Reserve
SRR	Staff Rules and Regulations of the Organization
TR	International tourism receipts
UN	United Nations
USD	United States dollar
VCF	Voluntary Contributions Fund







The World Tourism Organization (UNWTO), a United Nations specialized agency, is the leading international organization with the decisive and central role in promoting the development of responsible, sustainable and universally accessible tourism. It serves as a global forum for tourism policy issues and a practical source of tourism know-how. Its membership includes 156 countries, 6 territories, 2 permanent observers and over 400 Affiliate Members



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