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Quito, Ecuador, 27-28 June 2006  
Provisional agenda item 4(a)

## **ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS**

### **(a) Report of the Committee on Budget and Finance**

#### **Note by the Secretary-General**

In this document the Secretary-General transmits to the Executive Council the report of the Committee on Budget and Finance on the administrative, financial and statutory matters referred to it for examination at its forty-sixth meeting, held at Madrid, Spain on 17 May 2006.

**ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS**

**(a) Report of the Committee on Budget and Finance**

1. The Committee on Budget and Finance (CBF) held its forty-sixth meeting at the Organization's Headquarters at Madrid on 17 May 2006, under the chairmanship of Argentina, represented by Mr. Alejandro Varela. Delegations of the following Members participated in this meeting of the Committee: Benin, Brazil, Slovakia, Russian Federation, Lebanon, Mexico, Pakistan, South Africa and Thailand. Also in attendance were the Auditor (Spain) Mr. Fernando Casas Guillén, and the Chair of the Programme Committee Dr. Angelika Liedler (Austria), in application of decision CE/DEC/10(XVIII). The Annex to this document contains the list of participants in the forty-sixth meeting of the Committee on Budget and Finance.
2. The Secretary-General, the Director of the Administration Division, and the Administrator of the Finance Section also attended the meeting.
3. The Committee considered the following documents, which will be submitted to the Executive Council at its seventy-eighth session (27-28 June 2006):

**ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS**

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|---|------------|
| I - Report of the Secretary-General on the financial situation and plan of expenditure for 2006                 | CE/78/4(b) |
| II- Auditors' report and administrative accounts of the Organization for the financial year 2005                | CE/78/4(c) |
| III- Application of Article 34 of the Statutes and paragraph 13 of the Financing Rules attached to the Statutes | CE/78/4(d) |
| IV- Establishment of the level of the Organization's Budget for 2007 [A/RES/496(XVI)]                           | CBF/46/2   |
| V- Place and dates of the forty-seven meeting of the Committee on Budget and Finance                            |            |

## **I. REPORT OF THE SECRETARY-GENERAL ON THE FINANCIAL SITUATION AND PLAN OF EXPENDITURE FOR 2006 [CE/78/4(b)]**

4. The Committee examined the information submitted by the Secretary-General on the current financial situation of the Organization and the plan of expenditure for 2006. It noted with satisfaction the good level of the income from contributions received by the date of its meeting, which came to EUR6,685,539 or 62 per cent of EUR10,745,764, the amount assessed for 2006. By the same time last year, 59 per cent of the amount receivable for that year had been collected. Budgetary expenditures amounted to 3,418,823 euros, representing 29% of the approved budget, which is similar to the percentage at the same date the previous year. With regard to the plan of income and expenditure, prepared on the basis of the recommendation of the 16<sup>th</sup> General Assembly's Resolution 496(XVI) for the General Programme of Work to be executed according to income received, the Committee noted the estimate made by the Secretariat of forecast income for 2006, which would amount to EUR9,824,000, of which EUR8,905,000 would correspond to contributions from Members and EUR919,000 to the other budgetary income allocated by the General Assembly.

5. The Committee observed that graph 1, presented by the Secretariat and depicting the amount of contributions received in each of the past six financial years, revealed that, except for 2001 and 2005 when the percentage of contributions received reached 87% and 88%, the collection level was very similar for all the other years at around 81%-82%, and therefore the estimate made by the Secretariat based on the average for the past six financial years (83%) was considered justified.

6. Furthermore, the Committee recalled that EUR700,000 is expected to be collected in 2006, observing that 50 per cent of this amount had already been received by the date of the Committee's meeting (EUR349,887).

7. The Committee also noted that, according to graph 2 showing the amounts of arrears of contributions received in the past six years, total arrears receivable this year could exceed the amount estimated in the graph judging from the average (EUR1,182,000) of the past six years. However, given the downward trend in this income with the exception of the income received in the 2005 financial year, it was considered prudent to maintain the projected amount for this year.

8. It was also observed that estimated expenditure for 2006 had been established at 85 per cent of approved appropriations, in order to maintain financial balance with expected income, as recommended by the General Assembly in resolution 496(XVI).

9. Furthermore, the Committee took note of what the Secretary-General pointed out regarding retirements and recruitments that will take place during the biennium 2006-2007 and of the possible developments in the structure of the Secretariat that would accompany these departures.

10. The Committee considered that the estimates prepared by the Secretary-General for the present financial year were realistic and reflected a cautious approach.

11. The Committee recommended the Executive Council to take note of the information on the financial situation and of the plan of expenditure for 2006.

## **II. AUDITORS' REPORT AND ADMINISTRATIVE ACCOUNTS FOR THE FINANCIAL YEAR 2005 [CE/78/4(c)]**

12. The Auditor (Spain) presented to the Committee the report on the accounts for the financial year 2005 in cooperation with the Auditor from India.

13. The Committee took note of the explanations given by the Secretary-General regarding the accounts for the financial year of 2005, which have been closed. The Secretary-General informed the Committee of the budgetary results for 2005, pointing out the budget surplus (euros 523,429.86) achieved, as a result of the high level of collection of both contributions for the current year as well as of arrear contribution payments, compared to the surplus of the preceding year. This high level of income made it possible to constitute, charged against the budget for financial year 2005, and with the approval of the General Assembly [Resolution 498(XVI)], the following provisions amounting to a total of 600,000 euros:

- 200,000 euros to cover expenses incurred due to the application of United Nations security regulations in the headquarters building.
- 150,000 euros, for the renovation of the sound system of the conference room of the headquarters.
- 250,000 euros, for crisis management in situations of risk of pandemics or natural disasters affecting tourism.

Had these provisions not been made, the surplus would have been considerably greater (1,123,429.86 euros). On the other hand, the level of budgetary income received made it possible to execute 98.57 per cent of the budget.

14. The Committee agreed to the transfers of appropriations between sections of the same part of the budget and between different parts of the budget, made by the Secretary-General at the close of the accounts for 2005 with the prior authorization of the Chairman of the Committee on Budget and Finance and of the Chairman of the Executive Council in accordance with Financial Regulation 5.3(a) and 5.3(b) and Council decision 6(LIII).

However, so far as possible, it is recommended that, in future, transfers between the different sections of the budget be limited to exceptional cases, urging the different departments to keep to the budget established and approved by the General Assembly. It recommended the Executive Council to approve the aforementioned transfers.

15. Noting that the accounting procedures and records, as well as the financial transactions for the year, were in accordance with the Financial Regulations and other applicable directives, the Committee recommended the Executive Council to authorize the accounts.

16. It further recommended the Council to endorse the appeal made by the Auditors to all Members to pay their contributions to the budget within the time-limits prescribed in Financial Regulation 7(2).

17. The Committee expressed its gratitude to the Auditors (India and Spain) for their excellent work.

### **III. APPLICATION OF ARTICLE 34 OF THE STATUTES AND PARAGRAPH 13 OF THE FINANCING RULES ATTACHED TO THE STATUTES [CE/78/4(d)]**

18. The Committee observed that the provisions of paragraph 13 of the Financing Rules attached to the Statutes were applied to twenty-eight Full Members and Article 34 of the Statutes to twenty-three as well as to the Associate Member Netherlands Antilles.

19. It recommended the Executive Council to again urge all Members in arrears to discharge their debts to the Organization as soon as possible.

20. The Committee took note with satisfaction of the fact that the provisions of paragraph 13 of the Financing Rules are no longer applicable to Armenia, Central African Republic, Lebanon and Pakistan. It also noted that Costa Rica, El Salvador, and Mongolia had scrupulously complied with the commitments acquired with regard to the payment of their contributions up to and including the current year, and that Georgia has complied with such commitments partially.

21. The Committee took note of the recommendation of the Executive Council at its 76th meeting to maintain Iraq's temporary exemption from the application of paragraph 13 of the Financing Rules until the 78th meeting of the Council, by which date it should have already submitted a payment plan.

#### **IV. ESTABLISHMENT OF THE LEVEL OF THE ORGANIZATION'S BUDGET FOR 2007 [A/RES/496(XVI)]**

22. The Committee, acting on the recommendation made by the 16th General Assembly [A/RES/496(XVI)] to study the possibility to reducing the level of the budget for 2007 in order to approach zero growth in real terms based on the development of the economic situation in Spain, and specifically, the inflation rate registered in the country, heard the presentation of the Secretary-General on the analysis of the current price developments in Spain and their impact on the budget approved for 2007.

23. It noted the fact that the general consumer price index registered in Spain in 2005 was 3.7 per cent, 1.0 percentage point higher than the 2.7 per cent adopted in the preparation of the 2006-2007 budget.

24. The Committee considered realistic and prudent the Secretary-General's proposal to not modify the level of the budget for financial year 2007 (EUR12,517,000), in contrast to the previous year when it was possible to reduce it. This recommendation is based on the fact that both the current inflation in Spain (3.9 per cent), as well as the forecasts for 2006 by the International Monetary Fund and by the European Commission (3.5 per cent), are above the inflation rate estimated in the 2007 budget (2.7 per cent). This means that in real terms, there will most likely be a reduction of the budget in 2006 and 2007.

25. The Committee took note of the Secretary-General's concern over current pace of price increases in Spain and its possible impact of budgetary expenditures, and it asked that this situation be taken into account in the expenditure estimates for both 2006 and 2007.

26. The Committee, therefore, recommended to the Executive Council to maintain the level of the budget approved for the 2007 financial period, that is, EUR12,517,000

#### **V. PLACE AND DATES OF THE FORTY-SEVENTH MEETING OF THE COMMITTEE ON BUDGET AND FINANCE**

27. The Committee decided to hold its forty-seventh meeting in the first quarter of 2007, and as far as possible, near the dates of the Programme Committee.

**ANEXO / ANNEX / ANNEXE**

**CBF/46/LIST.PART.DEF  
MADRID, mayo de 2006**

**COMITÉ DE PRESUPUESTO Y FINANZAS  
COMMITTEE ON BUDGET AND FINANCE  
COMITÉ DU BUDGET ET DES FINANCES**

Cuadragésimo-sexta reunión / Forty-sixth meeting / Quarante-sixième réunion

**LISTA DE PARTICIPANTES  
LIST OF PARTICIPANTS  
LISTE DES PARTICIPANTS**

**I. PRESIDENTE/CHAIRMAN/PRÉSIDENT**

ARGENTINA  
ARGENTINE

Sr. D. Alejandro Varela  
Coordinador de Relaciones Multilaterales  
Presidencia de la Nación  
Secretaría de Turismo – Buenos Aires

**II. MIEMBROS/MEMBERS/MEMBRES**

BENIN / BÉNIN

M. Daniel Danhin  
Premier Conseiller  
Ambassade du Bénin à Paris

BRASIL / BRAZIL / BRÉSIL

Mr. Joel Souza Pinto Sampaio  
Policy Advisor  
Embassy of Brazil in Madrid

ESLOVAQUIA  
SLOVAKIA  
SLOVAQUIE

Ms. Eliska Romanova  
Chief State Counsellor  
Tourism Department  
Ministry of Economy of the Slovak Republic  
Bratislava

FEDERACIÓN DE RUSIA  
RUSSIAN FEDERATION  
FÉDÉRATION DE RUSSIE

Mr. Andrei Shvedov  
Minister Counsellor  
Embassy of the Russian Federation in Madrid

Mr. Alexis Dementiev  
Adviser  
Embassy of the Russian Federation in Madrid

LÍBANO  
LEBANON  
LIBAN

Mme. Dima Haddad  
Premier Secrétaire  
Ambassade du Liban à Madrid

MÉXICO  
MEXICO  
MEXIQUE

Sr. D. Ramiro Ayala  
Consejero  
Embajada de México en Madrid

PAKISTÁN  
PAKISTAN

H.E. Mr. Hasan Sarmad  
Ambassador of Pakistan to Spain  
Embassy of Pakistan - Madrid

SUDÁFRICA  
SOUTH AFRICA  
AFRIQUE DU SUD

Mr. Ellwyn O. Beck  
Chargé d'Affaires a.i.  
Embassy of South Africa in Spain – Madrid

TAILANDIA  
THAILAND  
THAÏLANDE

Mr. Pradech Phayakvichien  
Advisor of the Tourism Authority of Thailand  
Bangkok

III. INTERVENTOR DE CUENTAS/  
AUDITOR /  
COMMISSAIRE AUX COMPTES

Sr. D. Fernando Casas Guillén  
Interventor de Cuentas de la Organización  
Mundial del Turismo  
Madrid

IV. PRESIDENTA DEL COMITÉ DE  
PROGRAMA/  
CHAIRPERSON OF PROGRAMME  
COMMITTEE  
PRÉSIDENT DU COMITÉ DU  
PROGRAMME

Dra. Angelika Liedler  
Head of the International Tourism Policy Unit  
Federal Ministry of Economics and Labour  
Chairperson of the Programme Committee  
Vienna