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### Report of the Secretary-General on administrative and statutory matters

#### (c) Detailed Financial Rules

#### I. Introduction

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1. The present document presents the Executive Council (EC) on the final draft of the Detailed Financial Rules and is a follow-up to the report CE/95/3(II)(a) Add.1 (Report of the Secretary-General/Part II: Administrative and statutory matters/ (a) Financial situation of the Organization/Addendum 1: IPSAS progress report and amendments to the Detailed Financial Rules (DFR) submitted to the 95th session of the EC held in Belgrade, Serbia, 27-29 May 2013 and its corresponding decision CE/DEC/8(XCV) which reads as follows:

*7. Takes note that the technical comments submitted by the German delegation at the ninety-fifth session of the Executive Council (see Annex) will be reviewed and incorporated as appropriate into a more complete version of the DFR to be submitted to the ninety-sixth session of the Council;*

2. The present document describes the background of the three sets of draft amendments to the UNWTO Detailed Financial Rules (DFR) submitted to the 93<sup>th</sup>, 94<sup>th</sup> and 95<sup>th</sup> EC and its final draft to ensure that these are compliant with IPSAS.

#### II. Background

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3. Prior to the implementation of IPSAS it has been necessary to review the UNWTO DFR to amend these, where necessary, when they were in conflict with IPSAS requirements. All UN system organizations adopting IPSAS in 2012 or prior have reviewed and amended their regulations and rules to bring them into line with IPSAS.

4. The UNWTO DFR required a thorough review and a number of substantive amendments to bring them into line with IPSAS requirements. This review has also provided the opportunity to make other amendments in the DFR to be consistent with other UNWTO regulations and rules (with the amended UNWTO Financial Regulations (FR) and the Staff Rules); to update the DFR to include previously approved EC decisions and General Assembly (GA) resolutions; to align them with UNWTO/UN current structure and practices; and, to improve their wording.

5. Therefore, and in order to provide sufficient time for consideration by the PBC and EC as required, three sets of draft amendments to the DFR had been developed with the following timelines.
6. The **first draft amended DFR** submitted to the External Auditors (EAs) (March 2012), to the 55<sup>th</sup> meeting of the Committee on Budget and Finance (CBF) and to the 93<sup>rd</sup> session of the EC for comments (May/June 2012) (CE/93/5(b) Add.1) was approved by the EC (CE/DEC/7(XCIII)).
7. The **second draft amended DFR** submitted to the 1<sup>st</sup> meeting of the Programme and Budget Committee (PBC) and to the 94<sup>th</sup> session of the EC for comments (October 2012) (CE/94/3(III)(a) Add.1) was approved by the EC (CE/DEC/8(XCIV)).
8. The **third draft amended DFR** was provided to the EAs in March 2013 and received their support. It was also submitted to the 2<sup>nd</sup> meeting of the PBC in May 2013 ((CE/95/3(II)(a) Add.1) which supported approval (CE/95/3(III)(a)). Furthermore, the third draft amended DFR (CE/95/3(II)(a) Add.1) was also submitted to the 95<sup>th</sup> session of the EC for comments in May 2013 and was approved through decision CE/DEC/8(XCV).
9. During the 95<sup>th</sup> session of the EC the delegation of Germany raised several clarifications on the approved first, second and third draft amended DFR. The Secretariat has analysed these clarifications in depth and provided detailed explanations resulting most of the issues satisfactory resolved. Furthermore, it appears that the delegation of Germany may submit to the 96<sup>th</sup> session of the EC specific proposals referring to the wording of the DFR 3.07 and 6.25 for consideration.

### III. Final amended Detailed Financial Rules

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10. The final amended DFR are provided in Annex I attached to this document.
11. Under regulation 13(1)(a) of the FR of the Organization, establishment of the DFR is under the authority of the Secretary-General in consultation with the EC. Issuance of the final amended DFR by the Secretary-General will take place during 2013, after which the UNWTO Governing Bodies will be duly informed.
12. The amended DFR will enter into force once IPSAS is operative, targeting 1 January 2014, except paragraphs 11 and 24 of the Annex I (Travel Guidelines) of the amended DFR which have entered into force on 1 June 2013 after the approval by the EC (CE/DEC/8(XCV)).

### IV. Actions to be taken by the Executive Council

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13. The Executive Council is requested to approve the final amended Detailed Financial Rules (DFR) and agree that the amended DFR will enter into force once IPSAS is operative, targeting 1 January 2014.

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**Annex I: Final UNWTO Detailed Financial Rules**


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**CHAPTER I****APPLICATION****Detailed Financial Rule 1**

- 1.01 These Detailed Financial Rules are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations<sup>5</sup>.
- 1.02 The Detailed Financial Rules are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.
- 1.03 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.
- 1.04 In case of doubt, as to the interpretation of any of these Detailed Financial Rules, the Secretary-General shall make a ruling thereon.
- 1.05 The Secretary-General is responsible to the UNWTO General Assembly and Executive Council for the implementation of the Detailed Financial Rules.
- 1.06 The Secretary-General may delegate, together with authorization for re-delegation, such of his authority, as he deems necessary to secure effective administration of these Detailed Financial Rules.
- 1.07 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 2<sup>6</sup>****CHAPTER III****BUDGET****Detailed Financial Rule 3****Budget**

- 3.01 The expenditure and revenue estimates, shall be prepared on a gross basis.

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<sup>5</sup> DFR: The Detailed Financial Rules were adopted, for the first time, by the Executive Council at its 55<sup>th</sup> session (decision CE/DEC/5(LV)) (Manila, Philippines, 20-21 May 1997).

<sup>6</sup> DFR: No DFR is needed on Chapter II of the FR.

- 3.02 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.
- 3.03 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**

- 3.04 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**

- 3.05 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.
- 3.06 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**

- 3.07 The Secretary-General is authorized to make such transfers between Sections (Programmes) of the same Part (Major Programmes) before closing the accounts for the financial year, after obtaining the authorization of the Chair of the Programme and Budget Committee. For transfers between various Parts/Major Programmes of the budget a recommendation from the Chair of the Programme and Budget Committee and the authorization of the Chair of the Executive Council should be sought. Any such transfers will be reported to the Programme and Budget Committee and to the Executive Council for confirmation at their next meeting and session, respectively.
- 3.08 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 20,000 Euros 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>7</sup>.

## **CHAPTER IV**

### **COLLECTION OF CONTRIBUTIONS**

#### **Detailed Financial Rule 4**

#### **New Members**

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<sup>7</sup> DFR: Resolution 400 (XIII) and decision CE/DEC/9(LXI) (Santiago, Chile, 25 September 1999)

- 4.01 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**

- 4.02 When an Affiliate Member 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<sup>8</sup>**

- 4.03 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.
- 4.04 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.
- 4.05 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 5**

#### **Revenue and Receipt Accounting**

- 5.01 All receipts shall be entered into the accounts at the earliest opportunity.
- 5.02 Contributions to the Working Capital Fund shall be credited on the date of the entry into force of a country accession.

<sup>8</sup> DFR: CE/DEC/8 (LXIII-LXIV), paragraph 3.

- 5.03 Assessed contribution revenue shall be credited at the beginning of the apportioned year in the relevant two-year budget
- 5.04 Unconditional voluntary contributions are recorded as revenue at the date of receipt of a written confirmation or agreement.
- 5.05 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
- 5.06 In-kind contributions which can be reliably measured are recorded at the date of receipt.
- 5.07 Revenue from the sale of publications shall be credited at date of the invoice.

### Miscellaneous Revenue

- 5.08 Miscellaneous revenue shall be credited in the financial period to which it applies. Miscellaneous revenue includes:
- (i) revenue from interest;
  - (ii) contributions of new Members not included in the assessment of Members' contributions for the financial year;
  - (iii) the positive difference between gains and losses on exchange;
  - (iv) 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;
  - (v) cheques not cashed within a period of twelve months of the date of issue when the cancellation takes place in a different financial year;
  - (vi) revenue from services rendered by the Organization;
  - (vii) revenue obtained from sale of surplus property including gain on sale of property, plant and equipment or Intangible assets;
  - (viii) other voluntary contributions or miscellaneous revenue without a specific objective.

### Voluntary contributions

- 5.09 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)

- 5.10 The purpose and limits of voluntary contributions as Funds in Trust must be clearly defined.
- 5.11 FIT shall be separately identifiable from that of the Organization's budget and the Secretary-General shall report annually on FIT contributions.
- 5.12 FIT unspent at the end of a financial year may be carried over and utilized in the following year.

- 5.13 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)**

- 5.14 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).
- 5.15 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.
- 5.16 VCF unspent at the end of a financial year may be carried over and utilized in the following year.
- 5.17 The VCF, save as otherwise provided in these rules, shall be administered in accordance with the Financial Regulations of UNWTO
- 5.18 The Secretary-General shall consult the Executive Council on the use of voluntary contributions to the VCF exceeding 10,000 Euros when the purpose of such voluntary contributions has not been specified.
- 5.19 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**

- 5.20 The Director of Administration is responsible to the Secretary-General for the management, receipt and disbursement of all cash resources of the Organization.
- 5.21 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.
- 5.22 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.



- 5.23 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.
- 5.24 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.
- 5.25 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.
- 5.26 Annex IV to these Rules presents detailed cash management and investment guidelines.

## CHAPTER VI

### INTERNAL CONTROL

#### Detailed Financial Rule 6

##### General

- 6.01 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.
- 6.02 The financial risk management principles of the Organization are presented in Annex V to these Rules.

##### Obligations

- 6.03 Only those officials designated in writing by the Secretary-General are authorized to incur obligations against allotments.
- 6.04 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.
- 6.05 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

- 6.06 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.
- 6.07 The Secretary-General may, when he deems it in the interests of the Organization to do so, authorize progress payments.



- 6.08 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.
- 6.09 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.
- 6.10 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

- 6.11 Imprest cash amounts to be fixed in each case shall be made where necessary to officials.
- 6.12 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

- 6.13 (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 6.39 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 per cent of these expenses, provided that the amount advanced equals or exceeds 20 per cent 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

- 6.14 (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 6.14 (c).
- (c) Categories of property: Property is defined in paragraph (a) above falls into two categories.

- (1) 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.
  - (2) Expendable property is movable property whose acquisition cost or value is below the threshold defined in paragraph 6.14(c)(1) 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:
- 6.15 The cost of all expendable property and supplies is immediately charged as an expense.
- 6.16 Non-expendable items under 6.14 (c) 1, except for heritage assets, are to be depreciated over the expected economic life on a straight line basis.
- 6.17 An annual physical inventory is taken at 31 December of each year.
- 6.18 The Secretary-General may declare property to be surplus if it is of no further use to the Organization.
- 6.19 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.
- 6.20 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)

- 6.21 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:
- (i) replacement of non-expendable fixed assets and intangible assets;
  - (ii) 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;
  - (iii) 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.

- 6.22 An amount based on the depreciation and amortization recorded in the Financial Statements of the previous year will be credited to the reserve.
- 6.23 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)<sup>9</sup>

- 6.24 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.
- 6.25 The use of the SCR shall be determined 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.
- 6.26 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.
- 6.27 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
- 6.28 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.

### Procurement

#### *General principles of procurement*

- 6.29 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.
- 6.30 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:

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<sup>9</sup> DFR: Resolution A/RES/572(XVIII) (Bamako, Mali, May 2009) and document A/18/15/Annex 4 Draft programme and budget of the Organization for the period 2010-2011 (October 2009)

- (a) Best value for money;
- (b) Fairness, integrity and transparency;
- (c) Effective international competition;
- (d) The interest of the UNWTO.

6.31 Except as provided in Rule 6.35, 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 6.33. Competitive tenders will be evaluated by committees established for that purpose.

#### *Authority and responsibility*

6.32 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*

6.33 Consistent with the principles set out in Rule 6.30 and except as otherwise provided in Rule 6.35, 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*

6.34 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 6.33 (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*

6.35 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 6.36;
  - (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*

- 6.36 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*

- 6.37 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**

- 6.38 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 6.35 (b).

### **Travel**

- 6.39 Annex I to these Rules establishes guidelines for travel.

### **Publications**

- 6.40 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 7**

#### **Accounts**

- 7.01 The Director of Administration is responsible to the Secretary-General for establishing and maintaining all official accounts of the Organization.
- 7.02 Obligations shall be recorded in the accounts of the financial year in which they are incurred.
- 7.03 Receipts and revenue shall be credited to the accounts of the financial year in accordance with Detailed Financial Rule 5.
- 7.04 Expense shall be recorded in the accounts of the financial year in which it is incurred.
- 7.05 The accounts shall comprise the general accounts, budget accounts, and treasury accounts from which the periodic financial statements shall be prepared.
- 7.06 All accounts shall be supported by documentation to be retained as an integral part of the official accounts of the Organization.
- 7.07 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

7.08 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

7.09 Treasury accounts shall comprise:

- (a) cash accounts and other cash items showing all receipts and disbursements of the Organization;
- (b) VCF, FIT 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

7.10 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 VCF ; and,
  - (ii) status of FIT;
- (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 FIT, VCF 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 8

- 8.01 All funds and accounts of the organization including the GF, VCF and FIT are subject to audit each year by the External Auditors of the organization.

## ANNEXES TO THE DETAILED FINANCIAL RULES OF THE WORLD TOURISM ORGANIZATION

### Annex I – Travel Guidelines

(in accordance with Detailed Financial Rule 6.39)

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:
  - (i) Mission travel: travel on official business
  - (ii) 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:
- (i) 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 his arrival.
  - (ii) 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 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.
  - (iii) 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.

- (iv) There will be no entitlement to a rest period for day-time travel lasting less than ten hours.
- (v) 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.
- (vi) If a traveller is asked to travel on mission on a non-working day, she/he will not be granted any compensatory time off.
- (vii) 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:
  - (i) 50 per cent for accommodation. If the government or host body provides free accommodation, the subsistence allowance will be reduced by the same percentage;
  - (ii) 30 per cent 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);
  - (iii) 20 per cent 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:
- (i) that the travel is for travel related to the traveller's official duties;
  - (ii) that the travel is for attendance at a meeting or similar function in line with the mission of the Organization;
  - (iii) the donor of the travel,
  - (iv) the nature/form of the travel,
  - (v) 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,
  - (vi) 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 (1) 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 per cent of the most cost-effective ticket fare plus 100 per cent 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 6.40)

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:
  - (i) **Publications:** refers to books, periodicals and other publications in print or electronic form;
  - (ii) **Inventories:** refers to unsold printed publications;
  - (iii) **Copyright:** refers to the rights on UNWTO publications and works, including the right to use or authorize others to use them on agreed terms;
  - (iv) **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:
  - (i) **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;
  - (ii) **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 ;

- (iii) **Royalties:** revenues from copyright are invoiced and recognized upon access to use the publications;
- (iv) **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:
  - (i) **Production expenses:** expenses incurred in the publication process which include all direct materials, direct labour, and allocated overhead expenses, when determinable;
  - (ii) **Selling expenses:** expenses incurred to market and sell publications;
  - (iii) **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 5.13 and 5.19)

#### Introduction

1. This annex to the Detailed Financial Rules (DFR) sets out the guidelines to ensure that all costs incurred in the utilization of FIT and 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:
  3. Financial Regulation 10.3 (FIT)
    4. .... *A fee shall be charged by the Organization for administering these funds.*
    5. *All costs relating to any Funds in Trust shall be a charge against the voluntary contributions concerned. ...*
  6. Financial Regulation 10.4 (VCF)
    7. *The fund shall be charged with the expenditures related to the activities ...*
  8. Detailed Financial Rule 5.13 (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.*

9. Detailed Financial Rule 5.19 (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>10</sup>

10. 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>11</sup>

11. UNWTO has adopted the cost classification definitions agreed by UN system organizations, which are deemed to fall into three categories as follows:
- (i) **Direct Costs:** *All costs that are incurred for and can be traced in full to organisation'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.*
  - (ii) **Variable Indirect Costs (referred to as Project Support Costs in these Guidelines):** *All costs that are incurred by the organisation 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 Programme 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).*
  - (iii) **Fixed Indirect Costs:** *All costs that are incurred by the organisation 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 organisation, its corporate costs and statutory bodies not related to service provision. These costs should be financed by regular/core resources.*

### Acceptance of Voluntary Contributions

12. 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.
13. Fixed indirect costs are financed by regular resources and are not subject to these cost recovery Guidelines.

### PSC Rate

14. The Secretary –General has determined that a project support costs rate of at least 7% shall be applied to all voluntary contributions received<sup>12</sup>.

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### Waiver or reduction of PSC

15. 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 his recommendation on it to the Secretary-General for his/her decision.

### PSC Revenue recognition

16. 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.
17. 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.
18. 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

19. As described in paragraph 5(ii) 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.
20. 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.
21. PSC is made available for expenditure in the following financial period.
22. The Secretary-General will approve budget proposals for the utilization of PSC under the VCF on the recommendation of the Director of Administration.
23. PSC expenditures are classified by nature as for all other expenditures in UNWTO.

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

## Annex IV – Detailed Cash Management and Investment Guidelines (in accordance with Detailed Financial Rule 5.26)

### 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:
  1. 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.*
  2. 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.*
  3. Detailed Financial Rule 5.20 (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.*
  4. Detailed Financial Rule 5.21 (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.*
  5. Detailed Financial Rule 5.22 (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.*
  6. Detailed Financial Rule 5.23 (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.*
  7. Detailed Financial Rule 5.24 (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.*

8. Detailed Financial Rule 5.25 (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.*
9. Detailed Financial Rule 5.26 (Management of cash resources)  
*Annex IV to these Rules presents detailed cash management and investment guidelines.*
10. Detailed Financial Rule 6.11 (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:
  - (i) 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,
  - (ii) 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,
  - (iii) 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 (Euro and US\$) 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 (i) has been financially verified as certified and approved (ii) is supported by documentary evidence and (iii) 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 organisation 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 organisations. Transfers will be made from UNWTO to UNDP/other UN system organisation

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:
  - (i) Date of the transaction
  - (ii) Amount
  - (iii) Term of the deposit
  - (iv) Banks and interest rates compared
  - (v) Bank and interest rate selected
  - (vi) 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 6.02)

#### 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:
  - (i) Exchange rate risk

- (ii) Interest rate risk
- (iii) Credit risk
- (iv) 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 Organisation'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.