

Executive Council

Eighty-eighth session
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ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS

(d) Report of the Committee on Budget and Finance

1. The Committee on Budget and Finance (CBF) held its fifty-second meeting at the Organization's Headquarters at Madrid on 19-21 April 2010 under the chairmanship of Argentina, represented by Ms. Maya González Bender. Delegations of the following Members participated in this meeting of the Committee: Bulgaria, Colombia, Slovakia, Kenya, the Islamic Republic of Iran and South Africa. Also in attendance was the representative of Affiliate Members Cámara Argentina de Turismo.
2. The Annex to this document contains the list of participants in the fifty-second meeting of the Committee on Budget and Finance.
3. The Secretary-General, the Executive Director in charge of Programme and Coordination, the Director of Administration, and the Programme Manager / Finance also attended the meeting.
4. The Committee considered the following documents, which will be submitted to the Executive Council at its eighty-eighth session (6-8 June 2010):

ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS

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| I - Report of the Secretary-General on the financial situation and plan of expenditure for 2010 | CE/88/5(a) |
| II- Auditors' report and administrative accounts of the Organization for the financial year 2009 | CE/88/5(b) |
| III- Application of Article 34 of the Statutes and paragraph 13 of the Financing Rules attached to the Statutes | CE/88/5(c) |
| IV- Place and date of the fifty-third meeting of the Committee on Budget and Finance | |

I. REPORT OF THE SECRETARY-GENERAL ON THE FINANCIAL SITUATION AND PLAN OF EXPENDITURE FOR 2010 [CE/88/5(a)]

1. The Committee examined the information submitted by the Secretary-General on the current financial situation of the Organization and the plan of expenditure for 2010 (see table in paragraph 10 of document "Report of the Secretary-General on the financial situation and plan of expenditure for 2010"). It took note of the level of the income from contributions received by 31 March 2010, which came to EUR6,456,539 or 55 per cent of EUR11,723,881, the amount assessed for 2010. By the same time last year, a 57 per cent of the amount receivable had been collected. Budgetary expenditures amounted to 2,676,628 euros, representing 22% of the approved budget, which is slightly higher than 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 18th General Assembly's 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 2010, which would amount to EUR11,254,000, of which EUR10,544,000 would correspond to contributions from Members and EUR710,000 to the other budgetary income allocated by the General Assembly.

2. The Committee observed that graph 1, presented by the Secretariat and depicting the amount of contributions received in each of the past seven financial years, revealed a regular trend in the collection of contributions starting in 2005, and the notably excellent performance in this regard during the past four financial years when the highest collection percentages in the UNWTO's history were achieved (89% in 2006, 90% in 2007, 89% in 2008 and 90% in 2009). The Committee considered justified the estimate made by the Secretariat for 2010, of 90% for financial year 2010, based on the level of income collected to date.

3. Furthermore, the Committee recalled that EUR497,000 of arrears is expected to be collected in 2010, observing that 60 per cent of this amount had already been received by the date of the Committee's meeting (EUR297,747).

4. The Committee also noted that, according to graph 2 showing the amounts of arrears of contributions received in the past seven years, total arrears receivable this year could exceed the amount estimated in the graph judging from the average (EUR1,200,000) of the period analysed. However, in view of the level of arrears collected to date and given the irregular variations in this income, it was considered prudent to maintain the projected amount for this year.

5. It was also observed that estimated expenditure for 2010 had been established at 11,751,000 euros, which represents 95 per cent of approved appropriations, in order to maintain financial balance with expected income, as recommended by the General Assembly. This amount is planned to be distributed in accordance with a programme structure as set forth in document CE/88/4(b) entitled "Report on the Implementation of the Organization's General Programme of Work for the Period 2010-2011".

6. With regard to the new salary scale applicable to staff of the professional and higher categories, the Committee was informed of the recommendation of the International Civil Service Commission (ICSC) to adjust the "base salary" of such officials upwards by 3.04 per cent in accordance with the "no loss-no gain" principle for salaries and to apply such salary scale effective 1 January 2010. The Committee recommended the Executive Council to take note of the new salary scale approved by the United Nations and applied by the Secretary-General with effect from 1 January 2010 in accordance with Staff Rule 33(1).
7. The Committee took note of the negotiations held between the Secretariat and the Government of Iraq in order to reach an agreement regarding the amount owed by Iraq and the settlement of its arrears.
8. The Committee welcomed the fact that both parties had come to an agreement on the recommended amount for the debt, which was established at 849,885.19 euros, and the form its payment, which is submitted to the Executive Council for its consideration.
9. The Committee considered appropriate the formula agreed upon for the adjustment of the debt by applying a reduction coefficient of 5% to the contributions assessed in the period 1991-2006, as well as the formula envisaged for the payment of the debt using funds from the United Nations "Oil-for-Food" Programme. In the event that the latter is not acceptable to the United Nations Security Council, a payment plan over 25 years and starting on 1 January 2014 would be drawn up.
10. Lastly, the Committee urged the Secretariat to obtain information from Iraq regarding the submission of its request to the Security Council relative to the procedure of covering this debt through the "Oil-for-Food" programme.
11. The Committee recommended the Executive Council to take note of the negotiations carried out by the Secretariat and the Government of Iraq and to approve the agreement reached regarding the amount owed by this Full Member and the form of settling its arrears.
12. The Committee recalled that decision 8(LXXXV) of the Executive Council and resolution 572(XVIII) of the General Assembly on the use of the resulting surplus from financial period 2006-2007, which amounts to 830,993.50 euros, authorized the Secretary-General to cover extraordinary and unavoidable expenditures not provided for in the budget, such as the Organization's liabilities vis-à-vis staff members concluding their service in the UNWTO.
13. The Committee was in agreement with the Secretary-General on the need to allocate resources to meet the liabilities incurred vis-à-vis the staff of the Organization after separation from service, as well as to fund the cost of the implementation of the International Public Sector Accounting Standards (IPSAS).
14. Therefore, the Committee requested the Executive Council to approve the proposal presented by the Secretary-General to allocate, charged against the surplus of the period 2006-2007, the amount of 700,000 euros to fund the liabilities accrued for medical insurance benefits after separation from service of the staff members of the Organization, and the amount of 130,993.50 euros to augment the Fixed Asset Replacement reserve fund.

15. The Committee took note of the progress in the implementation of the IPSAS standards and gave a positive evaluation of the plan of work presented by the Secretariat for the progressive adoption of the aforementioned accounting standards in the Organization.

16. The Committee recommended the Executive Council to take note of the progress report on the implementation of the IPSAS standards presented by the Secretariat and to continue to support the implementation of such standards and encourage the Secretary-General to continue to advance in the plan proposed for their application.

17. The Committee welcomed with satisfaction the report presented by the Secretariat on the establishment of an internal oversight function within the Organization.

18. The Committee, having heard the presentation on the description of the nature of work and the authority of an internal oversight function, included in the Internal Oversight Charter, recommended the Executive Council to take note of the report presented by the Secretary-General and to authorize him to continue to develop its terms of reference and modalities of implementation likewise taking into account in the deliberations on this subject the small size of the Organization its limited financial resources.

19. The Committee recommended the Executive Council to take note of the information on the financial situation and of the plan of expenditure for 2010.

II. AUDITORS' REPORT AND ADMINISTRATIVE ACCOUNTS FOR THE FINANCIAL YEAR 2009 [CE/88/5(b)]

20. The Committee took note of the explanations given by the Secretariat regarding the accounts for the financial year of 2009, in view of the report prepared by the Auditors. The Secretariat informed the Committee of the budgetary results for 2009, pointing out the high budget surplus (euros 405,275.82) achieved, as a result of the higher level of collection of arrear contribution payments, compared to the surplus of the preceding year. For the biennium the surplus amounted to 485,419.96 euros, which the Council is recommended to treat in accordance with Annex 4 of document A/18/15 Special Contingency Account.

21. The Committee agreed to the transfers of appropriations, made by the Secretary-General at the close of the accounts for 2009 with the prior authorization of the Chairman of the Committee on Budget and Finance and of the Executive Council, in accordance with Financial Regulation 5.1(a), 5.3(a), 5.3(b) and 5.3(c), Council decision 6(LIII) and with General Assembly Resolution A/RES/567(XVIII). It recommended the Executive Council to approve the aforementioned transfers.

22. 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.

23. 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).

24. 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/88/5(c)]

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

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

27. The Committee took note with satisfaction that the Full Members Cambodia and Congo had scrupulously complied with the commitments acquired with regard to the payment of their contributions up to and including the current year.

28. With respect to Iraq, the Committee recalled that the two year grace period granted to Iraq by the General Assembly at its seventeenth session [A/RES/523(XVII)] was extended until the present session of the Executive Council by the eighteenth General Assembly [A/RES/557(XVIII)].

V. PLACE AND DATES OF THE FIFTY-THIRD MEETING OF THE COMMITTEE ON BUDGET AND FINANCE

29. The Committee will decide on this point once the date of the forthcoming session of the Executive Council is set. Following the discussion on the issue of merging the Programme Committee and the Committee on Budget and Finance, PC and CBF members decided to propose to the Executive Council to approve the merging of both Committees.

Recommendations to the Executive Council by the Committee on Budget and Finance

30. That, in view of the favourable evaluation by the Committee on Budget and Finance, the EC take note of the documents "Report of the Secretary-General on the financial situation and plan of expenditure for 2010", "Application of Article 34 of the Statutes and paragraph 13 of the Financing Rules attached to the Statutes", and "Auditors' report and administrative accounts of the Organization for the financial year 2009" and that it take into account the recommendation of the aforementioned Committee to approve these accounts and to authorize the transfer of the appropriations obtained at the closing of the accounts of financial year 2009.

31. That it likewise take note of the new salary scale approved by the United Nations already applied by the Secretary-General effective 1 January 2010 in accordance with Rule 33(1) of the Staff Rules; that it call on the Members to pay their contributions to the budget of the Organization within the established deadlines and urge those with arrears to settle them as promptly as possible, and lastly, that it take note of the information regarding the financial situation and the plan of expenditure for 2010.

32. That the EC take note of the negotiations carried out by the Secretariat and the Government of Iraq and approve the preliminary agreement reached regarding the amount owed by this Full Member and the form of settling its arrears.

33. That the EC approve the proposal presented by the Secretary-General to allocate, charged against the surplus of the period 2006-2007, the amount of 700,000 euros to fund the liabilities accrued for medical insurance benefits after separation from service of the staff members of the Organization, and the amount of 130,993.50 euros to augment the Fixed Asset Replacement reserve fund.

34. That the EC take note of the progress report on the implementation of the IPSAS standards presented by the Secretariat and that it continue to support the implementation of such standards and encourage the Secretary-General to continue to advance in the plan proposed for their application.

35. That the EC take note of the report presented by the Secretary-General on the possibility of providing the Organization with an internal oversight function based on the recommendation made by the Joint Inspection Unit (JIU) in the terms set forth in the Internal Oversight Charter, and authorize the Secretary-General to continue to develop its terms of reference and modalities of implementation taking into account in the deliberations on this subject the small size of the Organization and its limited financial resources.

36. The Committee on Budget and Finance together with the Programme Committee recommended the Executive Council to approve the merging of both Committees.

ANEXO / ANNEX / ANNEXE

**CBF/52/LIST.PART.DEF
MADRID, abril de 2010**

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

52ª reunión / Fifty-second meeting / Cinquante-deuxième réunion

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

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ARGENTINE

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Directora de Relaciones Internacionales e
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II. MIEMBROS/MEMBERS/MEMBRES

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BULGARIE
BULGARIA

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Annex 1

KENYA

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REPÚBLICA ISLÁMICA DEL IRAN
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SOUTH AFRICA
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H.E. Mr. Vusi Bruce Koloane
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**III. REPRESENTANTES DE LOS
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REPRESENTATIVES OF THE
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REPRESENTANT DES MEMBRES
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