1. The Finance and Administrative Commission held seven meetings on 11, 12, 13 and 17 October 1967, under the Chairmanship of Mr. Prem N. Kirpal (India). They were attended by the Chairman of the Executive Board H.E. Dr. Atilio Dell'Oro Maini (Argentina), Dr. Moshé Avidor (Israel), Mr. Charles Hummel and Mr. Oscar Duby, deputies for H.E. Mr. Bernard Barbey (Switzerland), Mr. Rupert Prohme, deputy for the Hon. William Benton (United States of America), Mr. René Haguennauer, deputy for H.E. Professor Paulo E. de Berredo Carneiro (Brazil), Dr. Diego Valenzuela Rodriguez, deputy for Mr. Jorge Cash Molina (Chile), Mr. Ademola Adeleye, deputy for Mr. Samuel J. Cookey (Nigeria), Mr. Pierre Grenier and Mr. Robert Leclerc, deputies for Mr. Etienne Dennery (France), Mr. Paavo Ilmari Rantanen, deputy for Dr. Ilmo Hela (Finland), Dr. Bernard J.E.M. de Hoog (Netherlands), Mrs. Edit Konrád, deputy for Dr. Magda Jóború (Hungary), Mrs. Iris L. de Billault, deputy for H.E. Dr. Enrique Macaya-Lahmann (Costa Rica), Mrs. Helgard Planken, deputy for H.E. Dr. Hans-Joachim von Merkatz (Federal Republic of Germany), Mr. Mathew G. Kayuza, deputy for H.E. Mr. Daniel Mfinanga (Tanzania), Professor Valentin Lipatti, deputy for Professor André Otetea (Romania), Mr. Vincenzo Bagli, deputy for H.E. Mr. Gian Franco Pompei (Italy), Mr. Leonard C.J. Martin, deputy for Dame Mary Guillan Smieton (United Kingdom), Mr. Vassili V. Vakhrouchev and Mr. Evgueni V. Novikov, deputies for Professor Vadim Sobakine (Union of Soviet Socialist Republics), H.E. Mr. Tatsuo Suyama (Japan), Mr. Feraydoun Ardalan, deputy for H.E. Mr. Djahanguir Tafazoli (Iran), Mrs. Otilia A. de Tejeira (Panama), and Professor Félix Alvarez-Brun, deputy for H.E. Mr. Alberto Wagner de Reyna (Peru).

2. Mr. John E. Fobes, Assistant Director-General for Administration, Mr. Gollerbery V. Rao, Director, Bureau of the Budget, Mr. Reginald Harper-Smith, Comptroller, Mr. Gérard Bolla, Director, Bureau of Personnel, Mr. Pierre H. Coeytaux, Secretary of the Executive Board attended the meetings of the Commission.

Item 3.3 - Application to Unesco of Recommendations of the United Nations Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies (77 EX/3; 77 EX/3 Add.)

3. After hearing an introduction by the Assistant Director-General for Administration the Commission decided to study this item in detail and, as a
framework for its discussion, considered the draft resolution in paragraph 18 of 77 EX/3 section by section.

4. **Preamble to draft resolution (paragraphs 1 to 4).** It was decided to delete paragraph 3 of the preamble to the draft resolution which, in the light of amendments made to Part II of the resolution, was no longer necessary. The other paragraphs of the preamble were adopted without change.

5. **Part I of the draft resolution - recommendations which coincide with Unesco practice.**

   (a) It was considered premature to state that all of these recommendations of the Ad Hoc Committee of Experts correspond in every respect to Unesco practice. Further effort was required, particularly with regard to recommendation 14 in 76 EX/3 Annex I on evaluation. The Commission, therefore, redrafted this section of the resolution to reflect this point of view (see paragraph 4 of draft resolution below).

   (b) Recommendation 3 of 76 EX/3 Annex I on the examination of the draft programme and budget by a financial committee or similar body was considered to be particularly important. The Commission did not wish to suggest at this stage a revision in the calendar for the preparation of the draft programme and budget which had been adopted by the General Conference at its fourteenth session. It was still too early to judge the suitability of this calendar and the Commission felt that it represented a considerable improvement over past practice. But in compliance with recommendation 3 adequate time should be allowed at the 78th session of the Executive Board to permit the Finance and Administrative Commission to examine in detail the technical aspects of the budget.

   (c) With regard to recommendation 16 in 76 EX/3 Annex I on conferences, meetings and documentation, the Commission stressed the importance of reducing the number of meetings, in particular by combining those with related subjects. The Assistant Director-General for Administration pointed out that the Director-General had in the past three years made persistent and successful efforts to reduce the number of meetings and that these efforts would continue in the future.

6. **Part II of the draft resolution - recommendations which can be implemented under the Director-General's own authority**

   (a) The first paragraph of Part II of the draft resolution was approved by the Commission.

   (b) With regard to the second paragraph the Commission inserted a phrase which made clear that the further examination of these recommendations by the Director-General was with a view to their implementation. It also added a phrase calling for a report on these recommendations to a future session of the Executive Board.
(c) The Commission discussed the problems involved in adopting a common budget layout for all United Nations organizations (recommendation 18 in 76 EX/3 Annex II). Such a common budget layout should not prevent the presentation of Unesco's programme in a distinctive form suitable to the particular needs of the Organization. Unesco is co-operating with the Advisory Committee on Administrative and Budgetary Questions in its study of this question. Already agreement has been reached on information annexes for reporting to ECOSOC, in which information concerning the budgets of all United Nations organizations will be presented in a common format.

(d) Recommendation 19 of 76 EX/3 Annex II was considered with reference to the problems of presenting in the budget a breakdown of expenditure into administrative costs, operational costs and general research and study costs. No suitable definition of these terms has yet been devised but Unesco is continuing to co-operate with other agencies to arrive at an agreed definition. It was agreed that information should be included in an annex to the budget showing the direct and indirect expenses concerning conferences and meetings.

7. **Part III of draft resolution - recommendations which require action by the Executive Board and/or the General Conference**

(a) With regard to the size of the appropriation lines a suggestion was made and supported by some members that it might be advisable to consider dividing the largest appropriation line - that for Education - into two or more smaller lines. Other members, on the other hand, felt that the present structure of the appropriation lines is satisfactory.

(b) Recommendation 30 (76 EX/3 Annex III) on programme planning and evaluation was considered in detail. Some members felt that the Special Committee of the Executive Board should be asked to examine and report on long-term planning. The Commission felt that such a study should be limited to questions of method. The suggestion was also made that since considerable information already exists on long-term planning but is dispersed in various documents, including the draft programme and budget, it would be advisable to find some means whereby the General Conference could consider as a whole all such information.

(c) The Chairman then established a small Drafting Committee to prepare a text for Part III of the draft resolution which would reflect the views expressed in (a) and (b) above.

(d) The Drafting Committee proposed a revised text for Part III of the draft resolution (document 77 EX/FA/DR.1). Opinion was divided in the Commission on the need for the first paragraph in Part III of the draft resolution below. Those opposed to this paragraph felt that it was unnecessary and did not present the real motives for the conclusion presented in the next paragraph, although they supported that conclusion. However, the Commission decided to retain this paragraph. The Commission, then, after making several changes to the text prepared by the Drafting Committee approved Part III in the draft resolution below.
8. Part IV of draft resolution - recommendations which require inter-agency agreement. After discussing the difficulties involved in inspection under the joint inspection system caused by the varied administrative and budgetary practices of the United Nations organizations and the method of calculating Unesco's financial contribution to the Joint Inspection Unit, the Commission noted the agreement reached concerning the future operation of the Inspection Unit. It then approved the text of Part IV of the draft resolution.

9. Parts V, VI and VII of the draft resolution. The Commission approved the texts of these parts without discussion.

10. Finally the Commission recommended that the Executive Board adopt the following resolution:

The Executive Board,

1. Mindful of resolution 19 adopted by the General Conference at its fourteenth session, which invited the Director-General and the Executive Board to consider appropriate measures with a view to implementation of the recommendations of the Ad Hoc Committee of Experts to examine the finances of the United Nations and the Specialized Agencies, and recalling its own decision taken at its 76th session (76 EX/Decisions, Item 3.2);

2. Having examined the reports submitted by the Director-General on this subject contained in document 77 EX/3 and Add. as well as in the earlier document 76 EX/3 and its addendum and the report of the Finance and Administrative Commission thereon (document 77 EX/37);

3. Decides as follows regarding the recommendations of the Ad Hoc Committee of Experts:

   I

   Recommendations which coincide with Unesco practice. (Part I A of 77 EX/3 and Annex I of 76 EX/3)

   4. Notes with satisfaction that Unesco practice already conforms in large measure to these recommendations and invites the Director-General to keep under review those subjects, such as evaluation, where further progress may be made.

   II

   Recommendations which can be implemented under the Director-General's own authority. (Part I B of 77 EX/3 and Annex II of 76 EX/3)

   5. Notes with approval the action already taken and planned by the Director-General on these recommendations;
6. 

Invites the Director-General to pursue his examination of these recommendations with a view to their implementation having regard to the notes in 76 EX/3 Annex II, and to report on these to a future session of the Executive Board;

III

Recommendations which require action by the Executive Board and/or the General Conference (77 EX/3, Part I C and 76 EX/3, Annex III)

7. 

Recalls that under the existing provisions, the Director-General must secure prior approval of the Executive Board for any major deviation from the programme resolutions adopted and the Work Plans noted by the General Conference;

8. 

Considers, therefore, that no change is required in the provisions concerning transfers within appropriation lines nor in the headings of the appropriation lines now used in the appropriation resolution;

9. 

Notes that the principle of long-term planning has already been adopted by the General Conference at its fourteenth session (resolution 7, paragraph 4) and that important elements of long-term planning are to be found in the general Introduction and certain sections of the programme and budget, as well as in documents regularly submitted to the Executive Board for consideration;

10. 

Instructs the Special Committee of the Executive Board to study the method to be followed for formulating and keeping up to date a long-term plan of the activities of the Organization, and to report to the Board during the current biennium.

11. 

Decides to continue the study of the application of the recommendations of the Ad Hoc Committee of Experts concerning long-term planning and evaluation, having regard to the result of the examination undertaken by the Special Committee with the aim of promoting greater co-ordination of the programmes and activities within the Organization and with those of the United Nations system;

12. 

Invites the Director-General to provide the relevant budget estimates in the list of conferences and other meetings annexed to the draft programme and budget.

IV

Recommendations which require inter-agency agreement. (Part I D of 77 EX/3 and Add. and Annex IV of 75 EX/3)

13. 

Decides, under the authority of resolution 19 adopted by the General Conference at its fourteenth session and in view of resolution 1280 adopted by ECOSOC at its 43rd session, that Unesco will participate during 1968 and, subject to confirmation by the General Conference, in the following years, in the implementation of the joint inspection system decided by resolution 2150 (XXI) of the General Assembly of the United Nations;

14. 

Invites the Director-General to co-operate fully with the Inspection Unit when it is established and authorizes a financial contribution estimated at $55,000 for its functioning in 1968.
V

Recommendations addressed to Member States (Part I E of 77 EX/3 and Annex V of 76 EX/3)

15. Invites the Director-General to bring these recommendations to the attention of Member States by a circular letter.

VI

Inter-agency consultation (Part II of 77 EX/3)

16. Notes with approval the consultations that have taken place as reported in Section II of 77 EX/3.

VII

Report to the General Conference

17. Invites the Director-General, in accordance with 14 C/Resolution 19, to prepare a report to the General Conference at its fifteenth session on the action taken by the Director-General and the Executive Board in the implementation of the recommendations of the Ad Hoc Committee of Experts in pursuance of resolution 2150 (XXI) adopted by the General Assembly of the United Nations at its 21st session.

Item 5.1 - Important changes and innovations proposed by the Director-General with regard to the biennium 1969-1970 and the relevant significant budgetary factors

Document 77 EX/5, Part I - Relevant significant budgetary factors affecting the Programme and Budget for 1969-1970.

11. In introducing this item, the representative of the Director-General proposed that, since the document was divided into three sections, the Commission's consideration of it might usefully proceed section by section on the three issues presented in document 77 EX/5, Part I, viz:

A. Recosting of the 1967-1968 budget to price and salary levels on 31 December 1968.


C. Treatment of UNDP Agency costs allocation.

It was agreed that it would be advisable to do so, and to include in the report of the Finance and Administrative Commission a composite resolution covering all three sections.
A. Recosting of the 1967-1968 budget up to 31 December 1968

12. The Commission was given detailed technical explanations of the basis on which the various computations had been made for increases, in respect of salary and allowances and prices of goods and services. It noted that the recosting estimates were the result of a projection on the basis of the trends in 1965 and 1966 and six months' experience in 1967. In the light of the explanations given, the Commission felt satisfied that the figure of $4,400,000 for recosting the 1967-1968 budget up to 31 December 1968, was reasonable on the basis of the information available by the end of July 1967.

13. The Commission noted, however, that, as explained in paragraph 19, the Director-General would keep under constant review the evolution of the cost factors and would revise his budget estimates accordingly - in the first instance, when preparing the Draft Programme and Budget for 1969-1970 (document 15 C/5), and, subsequently, at appropriate stages, up to the time of the General Conference at its fifteenth session.


15. The Assistant Director-General for Administration requested the Commission to give the Director-General guidance as to whether or not subventions to non-governmental organizations should be recosted in the 1969-1970 budget. Two members of the Commission supported the idea of recosting subventions, since non-governmental organizations were equally affected by movements in prices and salaries.

B. Projection of 1969-1970 requirements to cover price and salary and allowances increases

16. A member of the Commission, speaking in favour of projecting costs up to the end of the first year of the biennium, proposed a draft resolution inviting the Director-General to establish an "appropriation reserve" as a separate line of the budget, including therein an amount estimated on the basis of probable increased costs projected through the first year of the biennium. As the need arose throughout the biennium and with the prior approval of the Executive Board, the Director-General would be authorized to make transfers from this new line to meet the two following categories of expenditure:

(a) increase arising in the course of the biennium in the staff costs included in Parts I-IV of the budget, and

(b) increases arising in the course of the biennium in the cost of goods and services budgeted for in Parts I-IV of the budget.

The provision of such funds in the budget, in combination with savings that would accrue in programme execution, should prove adequate to meet increased costs throughout the biennium; should obviate the need for transfers between the other
Parts of the budget for these costs; and would be in conformity with the recommendation of the United Nations Ad Hoc Committee of Experts relating to the proper and restricted use of the Working Capital Fund. Any unused funds in this appropriation line would be credited to Member States in accordance with the Financial Regulations.

17. Another member proposed that the funds provided in this appropriation line could also cover the cost of urgent programme activities not foreseen in the biennial programme and budget approved by the General Conference, up to a maximum of, say, $100,000. Although sympathy and some support were expressed for this proposal, it was generally felt that this was a matter not directly linked to the subject under discussion and that it was more a question for the Programme Commission. The proposal was subsequently withdrawn.

18. In the exchange of views that followed, one member declared himself unable to support the idea of extending the application to the budget estimates of cost factors to 1 January 1970 or to support "full-budgeting". He was of the opinion that the present system of recosting up to the first day of the new biennium, with recourse to the Working Capital Fund, to the extent transfers were not possible within the approved budget, was adequate. This view was also shared by another member of the Commission.

19. In supporting the proposal for budgeting for cost factors up to the end of the first year only, a member also made the point that "full-budgeting" would reduce the incentive to make economies in the programme execution. Another member, in supporting the proposal, stated that in his view the new measure should limit the Working Capital Fund to its proper uses, in keeping with the recommendation of the United Nations Ad Hoc Committee of Experts. A third member of the Commission expressed some misgivings on the subject, and spoke against the setting up of a reserve fund.

C. Treatment of UNDP Agency Costs allocations

20. The discussion on the treatment of these allocations took the form of questions and answers revolving mainly on (i) whether posts and expenditures financed by these allocations would cease to be separately identified if the allocations were credited to the miscellaneous income of the Organization, (ii) whether the other Specialized Agencies were contemplating similar action, and (iii) whether the matter had been discussed with the UNDP Secretariat. One member noted that if the services now charged to a special account for Agency Costs were appropriated within the Regular budget, there would be a marked increase in the appropriation for 1969-1970, and it would have to be carefully explained to governments that this jump is offset by an increase in miscellaneous income and consequently would not increase assessments on Member States.

21. Finally, the Commission felt it could not formulate definitive views on the matter at this stage, since it considered there was need for negotiation with the UNDP authorities, on the one hand, and consultation with the United Nations and the Specialized Agencies, on the other.

Draft resolution recommended for adoption by the Executive Board:

22. In formulating its composite draft resolution to the Executive Board, the Commission felt that in the absence of a common definition among the Specialized Agencies of the term "appropriation reserve" appearing in paragraph 25 of document 77 EX/5, Part I, and in the above report, it would be better to refer to
a separate "appropriation line". The Commission recommended the establishment of this new, separate appropriation line notwithstanding paragraph 8 of its draft resolution relating to document 77 EX/3 in which the Executive Board would accept as reasonable the appropriation structure and transfer provision as set forth in the appropriation resolution for 1967-1968.

23. Accordingly, the following draft resolution, which was first voted paragraph by paragraph: (paragraphs 1-3 approved unanimously; paragraph 4 approved by 15 for, 2 against, no abstentions; paragraph 5 approved unanimously) and then voted in its entirety (15 for, none against, 2 abstentions), is recommended by the Finance and Administrative Commission, for adoption by the Executive Board:

The Executive Board,

I

1. Noting with appreciation the manner in which the Director-General has set out relevant significant budgetary factors which provide part of the background for its consideration of the important changes and innovations he has proposed for the programme of 1969-1970 (document 77 EX/5, Part I),

2. Noting that on the basis of estimates made towards the end of July 1967 by the Director-General of the movements of prices, salaries and related costs up to the end of 1968 it would cost approximately $4,400,000 more than in the current biennium to start in 1969-1970 a programme of the same magnitude as that approved for 1967-1968; and that a sum of this order, as revised in the light of later information, will be taken into account by the Director-General in preparing his Proposed Programme and Budget for 1969-1970,

II

3. Having studied the various methods, described in paragraphs 20 to 26 of document 77 EX/5, Part I for making provision - without causing a deficit and disruption of the programme - to meet any increases in prices, salaries and allowances, which may occur in the course of the next biennium,

4. Invites the Director-General to provide in a separate appropriation line for the funds estimated to be needed for increased costs projected through the first year of the biennium. In the management of this appropriation line, the Director-General would be authorized, with the prior approval of the Executive Board, to make transfers to meet two categories of expenditures:

(a) Increases arising in the course of the biennium in accordance with the decisions of the General Conference, in the staff costs included in Parts I-IV of the budget, and

(b) Increases arising in the course of the biennium in the cost of goods and services budgeted for in Parts I-IV of the budget.

III

5. Instructs its financial and Administrative Commission to undertake, at an appropriate time before the fifteenth session of the General Conference and in the light of the most recent information then available, an examination of the technical and financial aspects of the Director-General's Proposed Programme and Budget for 1969-1970 (document 15 C/5), and to report thereon to the Board.
Item 6.2 - Co-operation with the United Nations Development Programme
(document 77 EX/18, Part II)

24. After introduction by the Assistant Director-General for Administration, various members of the Commission asked a number of questions of a technical nature. The major questions concerned history and significance of the available resources to Unesco from the UNDP (SF) allocation for Agency Costs and the 11% formula presently used for determining the allocation for Agency Costs.

25. The Commission was informed that the estimated available resources in 1968 from the UNDP (SF) project allocation for Agency Costs for the planning and implementation of the projects entrusted to Unesco were derived as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) provisions from projects which are operational</td>
<td>$975,000</td>
</tr>
<tr>
<td>(ii) provisions from projects whose plans of operations are being negotiated</td>
<td>$425,000</td>
</tr>
<tr>
<td>(iii) provisions from projects likely to be entrusted to Unesco during 1968</td>
<td>$400,000</td>
</tr>
<tr>
<td></td>
<td>$1,800,000</td>
</tr>
</tbody>
</table>

26. It was noted that the Special Fund Agency Costs allocation is made for the entire duration of each project; however, an agency may draw in any one year against the provision which might normally be reserved for succeeding years. Such advances naturally would be kept within reasonable limits to ensure sufficient funds for future years.

27. The Assistant Director-General for Administration, in describing how the present overall rate of 11% had evolved, stated that studies and analyses made on the amount of Headquarters staff time spent on Special Fund project implementation indicated that a more accurate percentage for the Agency Costs allocation would be 19–20%. In the absence of such an allocation, the resources of the Regular budget were supporting the implementation of the Special Fund programme entrusted to Unesco and, while this was normal up to a certain point, he fully appreciated the concern expressed by a member of the Commission. In response to a suggestion by another member of the Commission, he said that consideration would be given to devising a means of showing in the next budget document the extent to which staff under the Regular budget must work on the Special Fund project planning and management.

28. In the light of the discussion, the Commission unanimously recommended that the following resolution be adopted by the Executive Board:

The Executive Board,

I

1. Having examined the document 77 EX/18, Part II concerning co-operation with the United Nations Development Programme.

2. Having considered the report of the Finance and Administrative Commission on this matter (document 77 EX/37)
3. Decides, in accordance with resolution 6.II.B (b) (iv) of the General Conference, at its fourteenth session, to establish at $1,800,000 the budgetary limitation for 1968 for obligating funds necessary for staff and other costs and anticipated increases in salaries, allowances and prices from the Special Fund Agency Cost allocation;

II

4. Recalling decisions taken at its 71st and 75th sessions concerning the budget estimates for the use of the UNDP/Special Fund Agency Cost allocation for 1966 and 1967 respectively;

5. Takes note of the Director-General's report on the additional sums required for staff salary and allowances increases for these years.

Item 7.1 - Acceptance and utilization of donations and special contributions (77 EX/19)

29. The Assistant Director-General for Administration introduced document 77 EX/19 and reported that since the document was prepared a mini-bus had been offered to Unesco through the National Commission of the Federal Republic of Germany to facilitate transport between Headquarters and the Briefing Centre at the Château du Bois du Rocher. He asked that the Executive Board authorize acceptance of this gift.

30. The Commission then unanimously recommended to the Executive Board the following resolution:

The Executive Board,

1. Having examined the document 77 EX/19 concerning the acceptance and utilization of donations and special contributions,

2. Having considered the report of the Finance and Administrative Commission on this matter (document 77 EX/37),

3. Authorizes the Director-General to accept and to add to the appropriation for 1967-1968, the following special contributions for activities which fall within the programme established by the General Conference:

(a) To Appropriation Line II.1 - Education ............ $ 7,001

From Ghana towards the administrative and local staff costs of the Regional Centre for Educational Information and Research, Accra - 6,000 Cedio equivalent to $7,001.

(b) To Appropriation Line II.2 - Natural Sciences and their Application to Development ............ $ 26,409

From India towards the rental of premises of the Regional Centre for Sciences and Technology for South Asia, New Delhi - 30,000 Indian Rupees equivalent to $4,000
From Kenya towards maintenance costs of the Regional Centre for Science and Technology for Africa, Nairobi - 160,000 Kenya East African Shillings, equivalent to $22,409.

(c) To Appropriation Line II.5 - International Norms, Relations and Programmes ...................... $344,500

From UNDP Special Fund Agency cost allocation towards the costs of Unesco Chiefs of Mission.

(d) To Appropriation Line IV - Common Services ........ $ 4,750

From the Unesco Staff Association, towards the costs of a clerk-stenographer post for 1968.

4. Authorizes the Director-General to accept from the National Commission of the Federal Republic of Germany the gift of a mini-bus to facilitate transport between Headquarters and the Briefing Centre at the Château du Bois du Rocher

Item 7.2 - Increases in salaries, allowances, pension contributions, and other unforeseen expenses which have arisen or may arise during 1967-1968 and their financing (documents 77 EX/20 and Add.)

31. The Assistant Director-General for Administration introduced the document and the Commission was informed that certain modifications or changes to the unforeseen expenses listed in Part I of the document had already become apparent since the document was prepared, e.g. the estimate for item 3 (b) (ii), Administrative Costs of the Campaign for Florence and Venice, had been reduced from $115,000 to $86,000 (ref. document 77 EX/14); the estimate in item 3 (g) for the repatriation grant ($20,000) was no longer required in view of the fact that the question had been postponed for further study; and another item would have to be added for Implementation of the Convention on the Protection of Cultural Property in the Event of Armed Conflict ($10,000) (ref. document 77 EX/32).

32. A member of the Commission expressed appreciation of the document as providing the Board with useful guidance concerning additional potential financial requirements during the present biennium, but felt, with regard to the salary and allowance increases that had already occurred in 1967, that the advances requested from the Working Capital Fund to cover their costs in 1967-1968 should continue to be authorized only as a provisional measure, in view of the difficulty at this stage in the biennium of determining the extent to which savings might develop within the budget, at a later date, which would permit absorption of at least part of these additional expenses and thus possibly reduce the total amount finally withdrawn from the Working Capital Fund. At the spring session of the Board, it would be possible for the Secretariat to provide a clearer picture of the Organization's financial position and needs. He therefore proposed amendments to paragraphs 4 and 5 of the draft resolution contained in the document which secured the unanimous support of the Commission in the discussion that ensued.

33. While accepting these proposed amendments, one member of the Commission said he continued to feel that the increases that have already occurred in 1967 should be financed by means of savings and transfers within the budget rather than by means of advances from the Working Capital Fund; whilst another member, being
of the opinion that the new budget recasting methods should have obviated the need for recourse to the Working Capital Fund. declared himself unable to support the draft resolution as a whole, even though he supported the specific amendments that had been proposed to paragraphs 4 and 5.

34. The Commission noted that a 2% salary adjustment for General Service Staff at Headquarters became payable from 1 September 1967 (ref. document 77 EX/20 Add.). It was decided that reference to this document would be made in the draft resolution to be recommended for adoption by the Executive Board.

35. The Commission, with the abstention of one member, therefore recommended that the Executive Board adopt the following resolution:

The Executive Board,

1. Having examined the report made by the Director-General concerning increases in pensions, salaries, allowances and other unforeseen and extraordinary expenses which have arisen or may arise during 1967-1968 and their financing (document 77 EX/20 and Add.), as well as the report of the Finance and Administrative Commission thereon (document 77 EX/37):

   I

2. Takes note of the report of the Director-General;

   II

3. Recalling the provisional measure taken at its 76th session regarding advances from the Working Capital Fund 76 EX/Decisions, item 6.3);

4. Authorizes the Director-General, in conformity with resolution 28 adopted by the General Conference at its fourteenth session, to advance from the Working Capital Fund and to add to the appropriations for 1967-1968 as a provisional measure a sum of $782,000 (including the sum of $356,430 authorized by the Board at its 76th session) necessary to meet the Organization's known additional commitments for both 1967 and 1968: (a) arising as a result of amendments to the Regulations of the Joint Staff Pension Fund, and (b) for payment of a post adjustment at Class V for Professional staff from 1 April 1967;

   III

5. Invites the Director-General to submit a further report to the Board at its spring session, 1968.

Item 7.3 - Auditor's report on the accounts of Unesco for the two-year financial period ended 31 December 1966 (document 77 EX/21)

36. The document which comprises the report of the External Auditor, the financial report of the Director-General and the accounts of the Organization for the two-year financial period ended 31 December 1966 was introduced by the Assistant Director-General for Administration. In his introduction he stressed the magnitude of all funds handled by the Comptroller which were now reaching the level of $75 million per year.
37. The Comptroller then gave a summary of the six main observations in the External Auditor's report.

38. One member expressed the hope that the External Auditor would in future comment on the administrative management of the Organization in line with the suggestions made by the Ad Hoc Committee of Fourteen.

39. A second member pointed out that in the report of the External Auditor (paragraphs 5, 6 and 7) there was a statement concerning the extended duration of the project relating to the Scientific and Cultural History of Mankind and about its total cost. He was not sure of the duty of the Commission to the Executive Board regarding a fuller report on the matter. A third member of the Commission asked if the impact of the project was up to expectations. The Assistant Director-General emphasized that the External Auditor in his report was not drawing attention to any financial irregularity. The Chairman noted that questions concerning substance of the project for the Scientific and Cultural History of Mankind could be discussed either in the Programme Commission or in a plenary session of the Board.

40. Another member of the Commission requested information regarding the appointment of the External Auditor and the provision of staff for the audit. The Assistant Director-General replied that in accordance with Financial Regulations Article 12, the External Auditor must be the Auditor-General of a member Government and that the Comptroller and Auditor-General of the United Kingdom had been appointed by the General Conference for an indefinite period. The External Auditor provides staff from the Exchequer and Audit Department of the United Kingdom.

41. One member recalled that his government did not accept the interpretation of contributions receivable as set forth in Annex III and its accompanying schedules in document 77 EX/21.

42. In reply to a question, the Assistant Director-General for Administration informed the Commission that the rate of interest paid to UNDP on a special advance of $1,000,000 was 5 3/8%.

43. The Commission unanimously recommended that the Executive Board adopt the following resolution:

The Executive Board,

1. Having examined the report of the External Auditor on the accounts of Unesco for the two-year financial period ended 31 December 1966 (document UNESCO/BOC/46),

2. Decides to transmit this report to the General Conference without comment.
Item 7.4 - Auditor's report on the accounts of Unesco relating to the Technical Assistance component of UNDP as at 31 December 1966 (document 77 EX/22)

44. The Secretariat replied to questions raised by members of the Commission regarding the administrative and operational services costs and the difference between the country programme and the regional programme projects.

45. Satisfaction was expressed with the fact that a special review of unliquidated obligations will be carried out periodically in the future.

46. The Commission unanimously recommends that the Executive Board adopt the following resolution:

The Executive Board,

1. Having examined the report of the External Auditor, the report of the Director-General and the financial statements relating to the Technical Assistance component of the UNDP as at 31 December 1966 (document UNESCO/BOC/47),

2. Decides to transmit these reports and statements to the General Conference without comment.

Item 7.5 - Auditor's report on the accounts of Unesco relating to the Special Fund component of UNDP as at 31 December 1966 (document 77 EX/23)

47. The Commission unanimously recommended that the Executive Board adopt the following resolution:

The Executive Board,

1. Having examined the report of the External Auditor, the report of the Director-General and the financial statements relating to the Special Fund component of the UNDP as at 31 December 1966 (document UNESCO/BOC/48),

2. Decides to transmit these reports and statements to the General Conference without comment

Item 7.6 - Use of national currencies for the payment of contributions (document 77 EX/24)

48. The Commission examined the report submitted by the Director-General on the use of national currencies for the payment of contributions and decided to submit the following amended resolution for the approval of the Executive Board:

The Executive Board,

1. Having examined the report of the Director-General on the use of national currencies (77 EX/24)
2. Notes the steps taken by the Director-General to ensure the use of such currencies,

3. Invites the Director-General to take further steps to ensure the use of these currencies and to keep this matter under continuous review.

Item 7.7 - Geographical distribution of the Secretariat (document 77 EX/25)

49. Briefly introducing document 77 EX/25, the Director-General's representative explained that the statistics given in that document regarding the geographical distribution of posts in the Secretariat had been drawn up at 15 July 1967, and that since that date a number of appointments had been made, bringing about an improvement in the situation. By 1 October 1967, for instance, 98 Member States were "represented" among the staff in posts subject to geographical distribution, which was the highest figure yet reached.

50. During the discussion, several members of the Commission expressed their satisfaction with the efforts made by the Director-General and the Bureau of Personnel to appoint as many nationals of under-represented or unrepresented Member States as possible to "geographical" posts, but remarked that the existing situation, as shown in the document under consideration, made it necessary for those efforts to be actively continued and intensified. One member suggested that the Director-General report to the Board at each session on his progress in improving the recruitment programme and on the geographical distribution of the staff.

51. Certain members of the Commission put forward suggestions on this subject: Member States should be given more information about the posts to be filled, and particulars of such posts should be sent out as early as possible, so as to leave more time for seeking qualified candidates. Notification by means of circular letters and lists of vacancies was not sufficient, and there should accordingly be more recruitment missions by representatives of the Bureau of Personnel, in accordance with plans communicated well in advance to recruitment sources, and more contacts between permanent delegates and the Bureau of Personnel; arrangements might be made for specialists from under-represented States to spend some time in the Secretariat, in order to familiarize them with the Organization's activities; the number of permanent contracts should be limited, in order to allow a greater turnover in the Secretariat; the tendency to regard the appointment of more than one national of any given under-represented country to the same unit as undesirable was criticized by one member of the Commission.

52. In general, the Commission considered that high standards and the requirements of geographical distribution were in no way incompatible in recruitment. Some members stressed how urgent it was to increase the number of staff members from certain regions, such as Africa and Eastern Europe but also to ensure that all such members be appointed to posts of responsibility. One member expressed the hope that the representation of Latin America in posts at Director level would be improved.

53. The Director-General's representative took note of the observations made by one member of the Commission with regard to the validity of the criteria currently followed in determining the geographical distribution of the Secretariat, and of his desire that the number of posts subject to geographical distribution should not be increased.
54. During the general discussion, the question of recruitment for field posts was also brought up. The Commission's attention was drawn to the arrangements made in certain Member States to assist in finding candidates and to improve their training, particularly with regard to language. Planned recruitment for such posts was particularly necessary in the case of certain Member States, owing to the extent of their territories or the special features of their educational systems.

55. The Commission recommends that the Executive Board adopt the following resolution:

The Executive Board,

1. Recalling resolution 29 of the General Conference at its fourteenth session,

2. Having taken note with satisfaction of the progress already achieved with regard to the geographical distribution of the Secretariat,

3. Requests the Director-General to continue his efforts in this matter and to report to the Executive Board at its autumn session in 1968 and to the General Conference, at its fifteenth session.

Item 7.8 - New Regulations of the Unesco Restaurant Services and of the Unesco Commissary (document 77 EX/27)

56. The Commission recommends that the Executive Board adopt the following resolution:

The Executive Board,

1. Having examined document 77 EX/27,

2. Takes note of the establishment of the Unesco Restaurant Fund and the Unesco Commissary Fund and of the Financial Regulations relating thereto.