FINANCE COMMITTEE
Twenty-eighth Meeting
Geneva - 20 October, 1959

DELEGATION OF AUTHORITY
AND INTERPRETATION OF THE FINANCIAL RULES

The attached paper is submitted to the Finance Committee Working Party and to the Finance Committee, for consideration.

It is hoped that a decision on the proposals set forth in this paper may be reached before the end of 1959.
DELEGATION OF AUTHORITY
AND INTERPRETATION OF THE FINANCIAL RULES

For the period 1960 to 1962, the Council has set the ceiling of contributions at 65 million francs per annum. The Organization must therefore do its utmost to keep expenditure below 195 million francs, even if certain estimates fall short of requirements or unforeseen expenditure becomes necessary. It is therefore important that the Director-General and the Divisions should take constant care to restrict outlays to bare essentials, even though the budget may afford greater latitude, so that a small reserve be set aside to try to meet unpredictable commitments which may arise during such a relatively long period.

During the current year, a Division could, for instance, save on a desirable though not essential journey or put off engaging a staff member for a few months, in order to free resources that will help to meet the unforeseen extra cost of assembling apparatus, either in the Division itself or in another Division, whether in the current financial year or the subsequent one.

Rule 5 of the Financial Rules stipulates: "In calculating the total of such contributions, account shall be taken of receipts from other sources, any deficit or surplus from previous years...".

If a three-year budget is to be strictly enforced no financial year should end with a deficit (except in the event of non-payment of contributions by a Member State); on the contrary, strict economy should prevail in order to accumulate a surplus which may be carried forward from one financial year to the next with a view to balancing a possible deficit.

In the course of a financial year, the Director-General might deem it necessary to reduce the appropriations of a Division in favour of an important project in another Division, whose cost had been underestimated; a Divisional Director might likewise cut down expenditure as far as possible, either to help another Division where expenditure in excess of appropriations was proving necessary, or to increase availabilities under another budget heading in his own Division.
According to Rule 4.2 of the Financial Rules, it is for the Finance Committee to authorize such transfers in advance.

In a three-year budget with a fixed annual ceiling of expenditure, provision should be made for special economy measures to be taken at any time in order to balance expenditure in excess of appropriations. To take such measures, it would be desirable for the Director-General to be given authority by the Finance Committee to transfer unspent appropriations to balance any necessary expenditure in excess of appropriations, provided such expenditure does not exceed 10% of the appropriations voted by the Council.

Moreover, it would be desirable to interpret as follows the term "commitment" in Rule 4.1 of the Financial Rules:

- A commitment, within the meaning of Rule 4.1 of the Financial Rules, shall be any expenditure resulting from a written contract or a declaration of intention, as well as any definitely earmarked expenditure, even if it has not yet given rise to detailed specifications.

Where there is a contract, the interpretation is clear, since the Organization is in possession of a legal document. In the case of a declaration of intention, there is also a signed letter. The third possibility calls for some explanations.

For instance, last minute technical difficulties may prevent a contract being signed or a declaration of intention being made to a given supplier. Alternatively the final choice of the supplier may depend on the solution of these difficulties. Similarly, statements of account for work at unit-price may not have been received before the closing of the accounts (electronic computing, measured work, etc.), or insufficient provision may have been made for the payment of certain services.

Until now, special accounts have only been opened in respect of deferred contractual commitments. With an annual budget, adjustments relating to expenditure definitely earmarked but not yet committed could be made in subsequent financial years. In the case of a three-year budget, with a fixed annual ceiling these adjustments can no longer be made.