



Sixth regular session

USE OF THE BALANCE IN THE GENERAL FUND

Memorandum by the Director General

1. The General Conference will recall that in 1959 it adopted a resolution in which it recognized the need to accumulate a reserve in the General Fund [1].

2. In the following year the Board of Governors amended the Agency's Financial Regulations in order to provide for the constitution of such a reserve. The relevant provision of the Regulations reads as follows:

"Any further balance remaining in the General Fund at the end of a financial period shall be carried forward and may, with the approval of the General Conference, be transferred to a reserve which shall include any sums specifically set aside within the General Fund under a decision of the Board of Governors, as approved by the General Conference, and which may be used:

(a) Temporarily to finance, pending the receipt of voluntary contributions pledged by Member States or other anticipated revenues, activities within the approved operational budget; and

(b) Should adequate funds not otherwise be available, to finance, with the prior approval of the Board of Governors and within such limits as may be established by the General Conference, the approved operational budget." [2]

3. Since the end of 1960 a balance of approximately US \$326 000, which has not been put to reserve under the Financial Regulation quoted above, has remained in the General Fund. In June of the present year the Board discussed some proposals by the Director General involving the use of part of this balance.

4. On that occasion the Board also considered whether to recommend to the General Conference the transfer of part of the balance to the reserve in the General Fund; it decided, however, not to make any such recommendation at this stage, because in present circumstances the reserve could serve no useful purpose. In the first place, annual shortfalls of voluntary contributions to the General Fund have consistently been so large that even the total balance, if transferred to the reserve, would be too small to bridge the gap between the target and actual contributions even for a single year; consequently, there would be no possibility of ever replenishing the reserve if it were used to compensate

[1] GC(III)/RES/51, part B, paragraph 3.

[2] INFCIRC/8/Add. 1, Regulation 6.13.

for shortfalls. Secondly, the need for reserves to finance the operational programme pending the receipt of pledged contributions has never arisen and is unlikely to arise in the foreseeable future; the level of the General Fund has always been high enough to meet day-to-day requirements for cash, since implementation of the programme is spread over a long period.

5. Notwithstanding its decision not to recommend any transfer to the reserve in the General Fund at present, the Board decided to reduce the balance in the Fund to US \$150 000, the allocation of which it would consider in due course. In detail, the reduction of the balance to that level has been and will be effected by the following allocations:

	US \$	US \$
<u>Balance on 1 January 1961</u>		326 898
1961 Exchange differences	1 564	
Allocation to Operating Fund I to meet extra construction costs of the Laboratory [3]	29 296	
	<u>30 860</u>	
Miscellaneous income	100	30 760
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Balance on 31 December 1961		296 138
1962 Allocations to Operating Fund I to meet		
(a) Estimated cost of completing the construction of the Laboratory	16 000	
(b) Increases in the emoluments of laboratory staff	17 609	
Allocations to Operating Fund II to meet		
(a) Possible increases in salaries of visiting professors	6 000	
(b) Possible increases in salaries of technical assistance experts	34 000	73 609
	<u> </u>	<u> </u>
Estimated balance on 31 December 1962		222 529
1963 Proposed allocations to Operating Fund II for exchange and training and for technical assistance [4]		72 529
		<u> </u>
<u>Estimated balance on 31 December 1963</u>		<u>150 000</u>

[3] See document GC(VI)/199, part II, paragraph 9.

[4] See document GC(VI)/200, Table 23.

6. The General Conference may also wish to note that on 30 June 1962 the General Fund contained a total of US \$165 770 in non-convertible currencies. Of this total, the equivalent of US \$24 931 is not subject to any specific restrictions as to use; the Agency is free to utilize these funds in the countries concerned for any purpose. In this connection, it has recently been agreed with research institutions in these countries that are receiving financial support under research contracts with the Agency that certain parts of such support, and especially the part covering salaries and wages of local staff, will be paid in local currencies. There is also the possibility of exchanging these currencies with other organizations in the United Nations family.

7. Further sums equivalent to a total of about US \$140 000 are in currencies of which the use is restricted to the purchase of equipment. As the Director General informed the Board in June, orders for equipment to a value of almost US \$50 000 have been placed in the countries concerned, so that this total can be expected to be reduced to approximately US \$90 000 by the end of the current year.

