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WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001

Proposals by the Director-General

Summary

Proposes the level and authorized purposes of the Working Capital Fund for the biennium 2000-2001, and reports on the status of the Fund as at 31 December 1998.

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Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. Financial regulation 5.4(b) stipulates that "the sources of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances".

I. BIENNIUM 1998-1999

3. In its decision GC.7/Dec.12, the General Conference decided that the level of the Working Capital Fund should be $6,610,000 and that the authorized purposes of the Fund for the 1998-1999 biennium should remain the same as those for the 1996-1997 biennium. The Conference also urged Member States to pay their outstanding assessed contributions as soon as possible to permit replenishment of the Working Capital Fund, and authorized the Director-General to advance from the Fund during the 1998-1999 biennium:

> "(i) Such sums as might be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced should be reimbursed as soon as receipts from contributions were available for that purpose;
>
> (ii) Such sums as might be necessary to finance unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced, the Director-General should make provision in the budget estimates for reimbursing the Working Capital Fund."

4. As of 31 December 1998, the status of the Fund was as follows:

Advances from Member States	$6,554,567
Unpaid advances	$ 55,433
Working Capital Fund	$6,610,000

The Fund is fully replenished to the level of Member States' advances.

5. In the absence of an authority to borrow funds from external sources, the Working Capital Fund provides a vital source of cash to meet the Organization's financial commitments when there is insufficient income from assessed contributions due to delays or non-payments by Member States. In 1998 and as reported in document IDB.19/13, the Director-General introduced a number of measures to reduce the cash outflow so that the Fund could be replenished to its established level. In February 1998, as a result of these measures, the Director-General was able to replenish the Fund to its established level for the first time since November 1995.

II. PROPOSALS FOR THE BIENNIUM 2000-2001

6. It is proposed that the current level of the Working Capital Fund of $6,610,000 and the authorized purposes of the Fund for 2000-2001 continue to be those established by the Conference in its decision GC.7/Dec.12.

7. The Director-General assumes that, for the 2000-2001 biennium, most Member States will continue to meet their obligations. However, unless there is a substantial reduction in the level of unpaid assessed contributions, the possibilities of keeping the Working Capital Fund replenished to its authorized level are limited. The continued replenishment of the Working Capital Fund is a priority of the Organization to ensure that prudent minimum levels of cash reserves are maintained. This would allow for the utilization of the Working Capital Fund in accordance with the approved purposes should the need arise.

III. ACTION REQUIRED OF THE COMMITTEE

8. The Committee may wish to recommend to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2000-2001 biennium remain the same as for the 1998-1999 biennium;

"(b) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."