EXPLANATORY NOTE BY THE SECRETARY

1. Until 1956 the budget included a credit for unforeseen expenditure varying between $30,000 and $20,000. In these earlier years it proved possible in most cases to absorb whatever expenditure was incurred on some items of the budget by savings and transfers between various parts and items of the budget under the rules governing such transfers.

2. This procedure was continued even after the establishment of the Working Capital Fund, although in 1953 and to a greater extent in 1959, withdrawals were made under paragraphs (b) and (c) of the Resolution governing the use of the Working Capital Fund.

3. During the current year it became clear that with the rapid development in the political and economic fields in many parts of the world, which often call for immediate action by the CONTRACTING PARTIES and which may occur at any time during the financial year, the CONTRACTING PARTIES might, for budgetary reasons, be unable to live up to their responsibilities unless special measures were taken to meet contingencies.

4. Amongst the measures considered were the following:

   (a) A deliberate cut in approved programmes during the financial year. The Executive Secretary has not advocated this course and there is no evidence that the CONTRACTING PARTIES would wish him to do so.

   (b) A more frequent and wider use of the Working Capital Fund.

   (c) Inclusion in the budget of a lump sum credit earmarked for certain types of activities likely to occur, but which nevertheless cannot be planned and costed in detail when the budget is approved.

5. What the Executive Secretary has proposed in document W.15/3 is in fact solution (c) and the reasons for his proposal are the following:

   (i) It would leave the Working Capital Fund intact for its original purposes. In this connexion it should be remembered that the Working Capital Fund is a relatively small one and that it is by no means inconceivable that at some stage or other heavy demands could be made on it under (c) of the Working Capital Fund Resolution.
(ii) It would avoid turning withdrawals from the Working Capital Fund into a regular standard procedure instead of the emergency measure which it was intended to be.

(iii) It would constitute an attempt to budget in an orderly fashion rather than depend on borrowing.

(iv) It would avoid a procedure whereby contracting parties were going to be assessed two years after the expenditure has been incurred in order to reimburse the Working Capital Fund.

(v) It would avoid depletion of the Working Capital Fund for a considerable period pending such reimbursement.

6. Some misunderstanding has arisen in connexion with this proposal and particularly the following points would appear to need clarification:

The proposal does not mean the establishment of a contingency fund, an extra budgetary credit or an advance to the Executive Secretary with no strings attached. What it does mean to be is an item in the budget usually called "unforeseen" but which, in this case, could be described as follows: "to finance expenditure incurred in connexion with special sessions and other unscheduled meetings and activities as authorized by the CONTRACTING PARTIES."