



General Conference
33rd session, Paris 2005

33 C

33 C/80
(33 C/COM.ADM/2)
13 October 2005
Original: English

DRAFT REPORT OF THE ADMINISTRATIVE COMMISSION

CONTENTS

INTRODUCTION

ITEM 1 ORGANIZATION OF THE SESSION

- Item 1.3 Report by the Director-General on communications received from Member States invoking the provisions of Article IV.C, paragraph 8(c), of the Constitution

ITEM 4 DRAFT PROGRAMME AND BUDGET FOR 2006-2007

- Item 4.1 Methods of preparing the budget and budget estimates for 2006-2007 and budgeting techniques
- Item 4.2 Consideration and adoption of the Draft Programme and Budget for 2006-2007
- Item 4.5 Adoption of the provisional budget ceiling for 2006-2007

ITEM 10 ADMINISTRATIVE AND FINANCIAL QUESTIONS

- Item 10.1 Report by the Director-General on the implementation of the reform process
- Item 10.2 Financial report and audited financial statements relating to the accounts of UNESCO for the financial period ended 31 December 2003, and report by the External Auditor
- Item 10.3 Financial report and interim financial statements relating to the accounts of UNESCO as at 31 December 2004 for the financial period ending 31 December 2005
- Item 10.5 Scale of assessments and currency of Member States' contributions
- Item 10.6 Collection of Member States' contributions
- Item 10.7 Working Capital Fund: Level and administration
- Item 10.8 Staff Regulations and Staff Rules
- Item 10.9 Staff salaries, allowances and benefits
- Item 10.10 Report by the Director-General on the situation concerning the geographical distribution of staff
- Item 10.11 United Nations Joint Staff Pension Fund and UNESCO Staff Pension Committee
- Item 10.12 Report by the Director-General on the state of the Medical Benefits Fund and appointment of Member States' representatives to the Board of Management for 2006-2007

INTRODUCTION

1. Following the recommendation of the Executive Board at its 171st session (171 EX/Decision 33), the General Conference at its second plenary session on 3 October 2005 elected Mr Mohammed Bedjaoui (Algeria) to the office of Chairperson of the Administrative Commission.
2. At its first session on 4 October 2005, the Commission elected by acclamation its four Vice-Chairpersons and Rapporteur, as follows:

Vice-Chairpersons:

Peru (Mr Carlos Cueto and Mr Carlos Herrera)
 Japan (Mr Ryuhei Hosoya)
 Russian Federation (Mr Vladimir Kalamanov)
 Canada (Ms Dominique Levasseur)

Rapporteur:

Cameroon (Mr Antoine Wongo Ahanda)

3. The Commission then adopted its timetable of work and list of reference documents as set out in document 33 C/1 Prov. Rev., Rev. Add., Rev. Add. Corr and Add.2, and 33 C/ADM/1.
4. The Commission considered the items on its agenda during ten meetings held from Tuesday, 4 October 2005 to Monday, 10 October 2005.
5. The Commission adopted its report at its eleventh meeting on Wednesday, 12 October 2005. The present report includes only the recommendations of the Commission which will be presented orally by the Chairperson of the Commission to the plenary for adoption.

ITEM 1 ORGANIZATION OF THE SESSION

Item 1.3 Report by the Director-General on communications received from Member States invoking the provisions of Article IV.C, paragraph 8(c), of the Constitution (33 C/11, Add., Add.2 and Add.3)

6. The Administrative Commission examined item 1.3 at its first and ninth meetings during which eight delegates took the floor, and recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having considered the communications received from Central African Republic, Costa Rica, Democratic Republic of the Congo, Djibouti, Grenada, Guinea, Guinea-Bissau, Iraq, Liberia, Nauru, Niger, Peru, Republic of Moldova, Sierra Leone, Somalia, Sudan, Turkmenistan and Uruguay, invoking the terms of Article IV.C, paragraph 8(c), of the Constitution in order to obtain permission to take part in the voting at its 33rd session,
2. Recalling the constitutional obligation of Member States to pay their contributions fully and on time,

3. Taking into account the history of payment of contributions in preceding years and previous requests for voting rights in the case of each of these Member States, as well as the measures proposed by them to eliminate their arrears,
4. Noting that Sudan has subsequent to its request paid the amounts required for voting rights in conformity with Article IV.C, paragraph 8(b), of the Constitution,
5. Considers that the failure of Central African Republic, Costa Rica, Democratic Republic of the Congo, Grenada, Guinea-Bissau, Iraq, Liberia, Nauru, Niger, Peru, Republic of Moldova, Sierra Leone, Somalia and Uruguay to pay contributions due for the current year and the immediately preceding calendar year and/or instalments on payment plans is due to conditions beyond their control and decides that these Member States may take part in the voting at the 33rd session of the General Conference;
6. Further considers that the failure of Djibouti, Guinea and Turkmenistan to pay contributions due for the current year and the immediately preceding calendar year and/or instalments on payment plans does not comply with the conditions laid down in Rule 83 of the Rules of Procedure of the General Conference and consequently these Member States may not take part in the voting at the 33rd session of the General Conference;
7. Invites the Director-General to report to the 175th and 177th sessions of the Executive Board as well as to the 34th session of the General Conference on the actual position concerning all payment plans agreed upon between UNESCO and Member States in arrears with their contributions.

ITEM 4 DRAFT PROGRAMME AND BUDGET FOR 2006-2007

Item 4.1 Methods of preparing the budget and budget estimates for 2006-2007 and budgeting techniques (33 C/5, Rev. and Rev. Add.)

7. The Administrative Commission examined item 4.1 at its third meeting. Following the debate during which two delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined the Draft Programme and Budget for 2006-2007 (33 C/5, 33 C/5 Rev. and 33 C/5 Rev. Add.), prepared by the Director-General and submitted to the Executive Board in accordance with Article VI.3(a) of the Constitution,
2. Recalling 171 EX/Decision 20, paragraph 89,
3. Takes note with appreciation of the fact that the budgeting techniques applied in the preparation of document 33 C/5, 33 C/5 Rev. and 33 C/5 Rev. Add. are in accordance with 32 C/Resolution 83;
4. Invites the Director-General to apply the same budgeting techniques in the preparation of document 34 C/5, subject to any modification or improvements that may be recommended by the Executive Board or the Director-General at a future session of the Board.

Item 4.2 Consideration and adoption of the Draft Programme and Budget for 2006-2007
(33 C/5)

8. The Administrative Commission examined item 4.2 at its fourth, fifth and sixth meetings. Thirty-one delegates took the floor.

9. The Administrative Commission examined Parts I, II.A Field – Management of decentralized programmes only, III.A, III.C, III.D, IV, and Reserve for reclassifications of the budget on a part by part basis, as well as the revised Draft Appropriate Resolution for 2006-2007.

Part I – General Policy and Direction

10. Regarding the Draft Programme and Budget for 2006-2007 for Part I – General Policy and Direction, the Commission recommended that the General Conference approve the resolution contained in paragraph 00002 Rev., which foresees a budget provision of \$38,660,100 in document 33 C/5 Rev. Add., it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions and the decisions taken by the General Conference.

**Part II.A – Field – Management of decentralized programmes
and
Part III.A - Field management and coordination**

11. Regarding the Draft Programme and Budget for 2006-2007 for Part III.A – Field management and coordination, the Commission recommended that the General Conference approve the resolution contained in paragraph 20002 Rev., which foresees a budget provision of \$20,988,300 in document 33 C/5 Rev. Add. Further, the Commission recommended, with regard to Management of Decentralized Programmes under Part II.A, that the General Conference approve the resolution contained in paragraph 07002 Rev. of document 33 C/5 Rev. Add., which foresees a budget provision of \$40,813,800, it being understood that these amounts were subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions and the decisions taken by the General Conference.

Part III.C – Human resources management

12. Regarding the Draft Programme and Budget for 2006-2007 for Part III.C – Human resources management, the Commission recommended that the General Conference approve the resolution contained in paragraph 22002 Rev., which foresees a budget provision of \$30,716,900 in document 33 C/5 Rev. Add., it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions and the decisions taken by the General Conference.

Part III.D – Administration, maintenance and renovation of Headquarters premises

13. Regarding the Draft Programme and Budget for 2006-2007 for Part III.D – Administration, maintenance and renovation of Headquarters premises, the Commission recommended that the General Conference approve the resolution contained in paragraph 23002, which foresees a budget provision of \$106,152,000 in document 33 C/5 Rev. Add., it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions and the decisions taken by the General Conference.

Reserve for reclassifications

14. Regarding the Draft Programme and Budget for 2006-2007 for Reserve for reclassifications, the Commission recommended that the General Conference approve the resolution, which foresees a budget provision of \$1,500,000 in document 33 C/5 Rev., it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions, and the decisions taken by the General Conference.

Part IV – Anticipated Cost Increases

15. Regarding the Draft Programme and Budget for 2006-2007 for Part IV – Anticipated Cost Increases, the Commission recommended that the General Conference approve the resolution, which foresees a budget provision of \$13,765,700 in document 33 C/5 Rev., it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions, and the decisions taken by the General Conference.

Draft Appropriation Resolution (revised) for 2006-2007

16. Discussions focused on additional clauses related to the programme package of \$25 million to be funded on an exceptional basis from voluntary contributions, which the Commission decided to include as Part II of the Draft Appropriation Resolution.

17. The Commission thus recommended that the General Conference approve the Revised Draft Appropriation Resolution for 2006-2007, it being understood that this amount was subject to adjustments in the light of the joint meeting of the Administrative Commission and of the five Programme Commissions, and the decisions taken by the General Conference.

18. The Commission recommended to the General Conference to adopt the following resolution:

Draft Appropriation Resolution (revised) for 2006-2007

The General Conference,

1. Having examined documents 33 C/5, 33 C/5 Rev., 33 C/5 Rev. Add., 33 C/6, 33 C/6 Add. and 33 C/8,

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2. Resolves that:

A. Regular programme

(a) For the financial period 2006-2007 the sum of \$610,000,000* is appropriated as follows:

Appropriation line	\$
PART I GENERAL POLICY AND DIRECTION	
A. Governing bodies	
1. General Conference	5 507 100
2. Executive Board	7 779 400
Total, Part I.A	13 286 500
B. Direction	
<i>(Including: Directorate; Office of the Director-General; Internal Oversight; International Standards and Legal Affairs)</i>	
	18 639 000
C. Participation in the Joint Machinery of the United Nations System	
TOTAL, PART I	6 734 600
	38 660 100

PART II PROGRAMMES AND PROGRAMME RELATED SERVICES

A. Programmes

Major Programme I - Education

I. Personnel

52 176 800

II. Activities:

I.1 Strengthening EFA coordination and planning

I.1.1 Enhancing international coordination and monitoring for EFA

3 913 600

I.1.2 Policy, planning and evaluation for achieving EFA

5 153 400

I.2 Attaining basic education for all

I.2.1 Universal basic education

7 867 000

I.2.2 Literacy Initiative for Empowerment (LIFE) and United Nations Literacy Decade (UNLD)

6 272 800

I.2.3 Teacher education

3 417 000

I.3 Enhancing quality education

I.3.1 Quality education for learning to live together

5 304 000

I.3.2 HIV/AIDS and education

1 272 200

I.4 Supporting post-primary education systems

I.4.1 Secondary and technical/vocational education

2 684 800

I.4.2 Higher education for the knowledge society

1 799 500

UNESCO education institutes

UNESCO International Bureau of Education (IBE)

4 591 000

UNESCO International Institute for Educational Planning (IIEP)

5 100 000

UNESCO Institute for Education (UIE)

1 900 000

UNESCO Institute for Information Technologies in Education (IITE)

1 100 000

UNESCO International Institute for Capacity-Building in Africa (IICBA)

2 000 000

UNESCO International Institute for Higher Education in Latin America and the Caribbean (IESALC)

2 200 000

Projects relating to cross-cutting themes**

1 050 000

Total, Major Programme I 107 802 100

Major Programme II - Natural Sciences

I. Personnel

32 992 500

II. Activities:

II.1 Science, environment and sustainable development

II.1.1 Managing water interactions: systems at risk and social challenges

8 926 400

II.1.2 Ecological and earth sciences for sustainable development

3 012 200

II.1.3 UNESCO Intergovernmental Oceanographic Commission (IOC)

3 876 400

II.2 Capacity-building in science and technology for sustainable development

II.2.1 Basic and engineering sciences, renewable energy and disaster mitigation

3 785 100

II.2.2 Science and technology policies for sustainable development

1 686 900

UNESCO science institutes

UNESCO-IHE Institute for Water Education (IHE)

-

International Centre for Theoretical Physics (ICTP)

1 015 000

Projects relating to cross-cutting themes**

700 000

Total, Major Programme II 55 994 500

Major Programme III - Social and Human Sciences

I. Personnel

19 185 200

II. Activities:

III.1 Ethics of science and philosophy

III.1.1 Ethics of science

3 234 300

III.1.2 Foresight, philosophy and human sciences, democracy and human security

2 913 900

III.2 Human rights and social transformations

III.2.1 Promotion of human rights

1 827 800

III.2.2 Social transformation

2 576 800

Projects relating to cross-cutting themes**

1 100 000

Total, Major Programme III 30 838 000

* Parts I-IV are calculated at the constant rate of exchange of 0.869 euro to one United States dollar.

** Cross-cutting themes:

1. Eradication of poverty, especially extreme poverty

2. The contribution of information and communication technologies to the development of education, science and culture and the construction of a knowledge society

Appropriation line

Appropriation line	\$
Major Programme IV - Culture	
I. Personnel	33 873 400
II. Activities:	
IV.1 Protect and safeguard cultural heritage worldwide	
IV.1.1 Reinforcing capacity-building for the protection of World Heritage	3 304 900
IV.1.2 Identifying and safeguarding the intangible cultural heritage	2 433 800
IV.1.3 Protecting and rehabilitating cultural heritage	2 315 100
IV.1.4 Protecting cultural property	1 082 900
IV.2 Strengthen cultural policies, cultural industries and intercultural dialogue	
IV.2.1 Developing national cultural policies	2 061 300
IV.2.2 Promoting intercultural dialogue	1 846 400
IV.2.3 Sustaining cultural industries and crafts	2 606 800
Projects relating to cross-cutting themes**	1 050 000
Total, Major Programme IV	50 574 600
Major Programme V - Communication and Information	
I. Personnel	18 502 200
II. Activities:	
V.1 Empowering people through access to information and knowledge with special emphasis on freedom of expression	
V.1.1 Creating an enabling environment for the promotion of freedom of expression and universal access	3 489 600
V.1.2 Fostering community access and diversity of content	6 480 500
V.2 Promoting communication development and ICTs for education, science and culture	
V.2.1 Fostering media development	2 382 500
V.2.2 Advancing the use of ICTs in education, science and culture	595 600
Projects relating to cross-cutting themes**	1 500 000
Total, Major Programme V	32 950 400
UNESCO Institute for Statistics	9 020 000
Field - Management of decentralized programmes	40 813 800
Total, Part II.A	327 993 400
B. Participation programme	20 000 000
C. Programme related services	
1. Coordination of action to benefit Africa	4 309 200
2. Fellowships Programme	1 867 300
3. Public information	13 657 600
4. Strategic planning and programme monitoring	6 258 600
5. Budget preparation and monitoring	4 306 200
Total, Part II.C	30 398 900
TOTAL, PART II	378 392 300
PART III SUPPORT FOR PROGRAMME EXECUTION AND ADMINISTRATION	
A. Field management and coordination (Headquarters activities and field office operating costs)	20 988 300
B. External relations and cooperation	19 824 700
C. Human resources management	30 716 900
D. Administration	106 152 000
TOTAL, PART III	177 681 900
TOTAL, PARTS I-III	594 734 300
Reserve for reclassifications	1 500 000
PART IV ANTICIPATED COST INCREASES	13 765 700
TOTAL APPROPRIATION	610 000 000

* Parts I-IV are calculated at the constant rate of exchange of 0.869 euro to one United States dollar.

** Cross-cutting themes:

1. Eradication of poverty, especially extreme poverty

2. The contribution of information and communication technologies to the development of education, science and culture and the construction of a knowledge society

Additional appropriations

- (b) The Director-General is authorized to accept and add to the appropriation approved under paragraph (a) above, voluntary contributions, donations, gifts, bequests and subventions, and contributions from governments towards the costs of established field units, taking into account the provisions of Article 7.3 of the Financial Regulations. The Director-General shall provide information thereon to the Members of the Executive Board in writing at the session following such action.

Obligations to be incurred

- (c) Obligations may be incurred during the financial period 1 January 2006 to 31 December 2007 within the limits of the amounts authorized under paragraphs (a) and (b) above, in accordance with the resolutions of the General Conference and the Financial Regulations of the Organization.

Transfers

- (d) The Director-General is authorized to make transfers, with the approval of the Executive Board, for the purpose of meeting increases in staff costs and in the costs of goods and services, from Part IV of the budget (Anticipated Cost Increases) to the appropriation lines concerned in Parts I to III of the budget.
- (e) Transfers between appropriation lines may be made by the Director-General with the prior approval of the Executive Board, it being understood that under Part II.A of the budget all budget lines for programmes and fields of action corresponding to a programme resolution of the General Conference will constitute appropriation lines.
- (f) However, in urgent and special circumstances (i.e. in unforeseeable circumstances and when immediate action is required), the Director-General may make transfers between appropriation lines, informing the Members of the Executive Board in writing, at the session following such action, of the details and reason for these transfers.
- (g) A clear distinction is to be made and adhered to between allocations mentioned under paragraphs (e) and (f) above. In the case of transfers exceeding \$50,000, substantive justification should be provided to the Executive Board on the rationale for such transfers and the financial impact on the activities affected. Transfers that affect the implementation of priorities approved by the General Conference must be submitted to the Executive Board for prior approval.
- (h) No transfer shall be made that modifies the amount of any appropriation line by more than 10% of the amount initially approved without the prior approval of the Executive Board.
- (i) The budget appropriations for the UNESCO Intergovernmental Oceanographic Commission (IOC) and the UNESCO World Heritage Centre (WHC) shall not be subject to adjustments by transfers of funds to other parts of the budget.

Staff

- (j) The established posts by grade foreseen for the 2006-2007 biennium are summarized in Annex III of document 33 C/5. The Director-General shall present to the Executive Board for prior approval any change to this Annex, in respect of the total number of posts of grade D-1 and above. For the financing of the posts in Annex III an amount of \$342,676,300¹ is provided in the appropriation in paragraph (a) above for established posts at Headquarters and in the field and shall not be exceeded, with the exception of transfers from Part IV of the budget and the reserve for reclassifications.
- (k) In accordance with their specific statutes and regulations, staff posts may be established at the UNESCO International Bureau of Education (IBE), the UNESCO International Institute for Educational Planning (IIEP), the UNESCO Institute for Education (UIE), the UNESCO Institute for Information Technologies in Education (IITE), the UNESCO International Institute for Higher Education in Latin America and the Caribbean (IESALC), the UNESCO International Institute for Capacity-Building in Africa (IICBA), the UNESCO Institute for Statistics (UIS), the International Centre for Theoretical Physics (ICTP), and the UNESCO-IHE Institute of Water Education (UNESCO-IHE). These posts are not included in the establishment table set out in Annex III.

Assessment

- (l) The appropriations voted under paragraph (a) above shall be financed by assessments on Member States. The assessments on Member States will accordingly amount to \$610,000,000.

Currency fluctuation

- (m) The appropriation under paragraph (a) above is expressed at the constant dollar rate of one United States dollar to 0.869 euro, hence expenditure against this appropriation will also be recorded at that same constant dollar rate. The differences arising from recording expenditure incurred during the financial period in euros at varying operational rates of exchange as compared with the constant rates will be recorded as gains or losses on exchange. Likewise, Member States' contributions in euros will be brought to account at the rate of exchange used to calculate the budget. The differences arising from recording Member States' contributions in euros received during the financial period at varying operational rates of exchange as compared with the constant rate will also be recorded as gains or losses on exchange. The net balance resulting from all gains and losses on exchange, including those mentioned above, under the General Fund at the end of the biennium shall be added to or deducted from Miscellaneous Income.

¹

Calculated on the basis of the established posts as shown in Annex III, with a lapse factor rate of 3%, not including short-term temporary personnel or consultant services under the regular budget, or posts financed from extrabudgetary sources.

B. Extrabudgetary programmes

- (n) The Director-General is authorized to receive funds, other than from Member State assessed contributions, in order to implement programmes and projects consistent with the aims, policies and activities of the Organization and to incur obligations and make payments in respect of such activities in accordance with the rules and regulations of the Organization and the agreements made with funding sources.

II

3. Accepts the programme package submitted by the Director-General [designed to reinforce the principal priorities of document 33 C/5] in the amount of \$25 million, to be funded on an exceptional basis from voluntary contributions, as detailed in Part II of document 33 C/5 Rev. and invites Member States and other funding sources to provide the voluntary contributions required;
4. Invites the Director-General to establish a Special Account for the purpose of receiving such voluntary contributions;
5. Recommends that no overhead costs be applied in principle to contributions from Member States to this Special Account;
6. Agrees that this Special Account shall remain open for voluntary contributions until 31 December 2006.

Item 4.5 Adoption of the provisional budget ceiling for 2006-2007 (33 C/51)

19. The Administrative Commission examined item 4.5 at its third meeting. Following the debate during which seven delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having regard to the Draft Programme and Budget for 2006-2007 presented by the Director-General (33 C/5, 33 C/5 Rev. and Add.),
2. Having regard to the examination by the Executive Board of the Draft Programme and Budget and its recommendations thereon (33 C/6 and 33 C/6 Add.),
3. Approves a budget ceiling of US \$610 million for the financial period 2006-2007;
4. Invites Commissions I to V and the Administrative Commission to examine and report back on the Draft Programme and Budget for 2006-2007.

ITEM 10 ADMINISTRATIVE AND FINANCIAL QUESTIONS

Item 10.1 Report by the Director-General on the implementation of the reform process (33 C/25 and Add. and 33 C/INF.16)

20. The Administrative Commission examined item 10.1 at its seventh, eighth and ninth meetings during which 21 delegates took the floor, and recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined documents 33 C/25 and Add. and 33 C/INF.16,

I Staff Policy

2. Welcomes the detailed information provided, and takes note of the work accomplished in the implementation of the human resources policy reform framework;
3. Expresses its appreciation for the progress achieved in this framework, including the respect of rules and procedures, the performance assessment process and the enhanced role of learning and development;
4. Endorses the medium- and long-term staffing strategy, and invites the Director-General:
 - (a) to pursue the implementation of the human resources policy reform framework;
 - (b) to implement the approved medium- and long-term staffing strategy, taking into account the strategy and programmes of the Organization within the limits of the future budgets;
 - (c) to report to the Executive Board at its 175th session on the implementation of the staff policy.

Part II New management style

5. Welcomes the progress made in the implementation of UNESCO's management reform;
6. Recognizes the importance of the ongoing efforts to ensure effective delegation of authority and accountability, closely linked to performance monitoring and reward, which implies a profound change in the managerial culture and practices throughout the Secretariat;
7. Takes note of the work accomplished for the technical recast of the System of Information on Strategies, Tasks and the Evaluation of Results (SISTER), which should allow to unbridle its full potential to support UNESCO's transition towards results-based management;
8. Welcomes the progress achieved in the rollout of the new Finance and Budget System (FABS) to the field offices and institutes, which has already allowed some 90% of the field office expenditure to be captured in real time;

9. Takes note of the preparatory work accomplished for the introduction of the new human resources management system;
10. Further takes note that the implementation cost of the new human resources management system may exceed \$3 million, while only \$1 million is budgeted under document 33 C/5, and that the system may therefore need to be introduced in phases, starting in 2006, with priority given to the implementation of the payroll component, and invites the Member States to make voluntary contributions, in accordance with previous practice, for the introduction of the new information system for UNESCO's human resources management;
11. Invites the Director-General to pursue the implementation of the management reform and to report to it thereon at its 34th session.

III Decentralization

12. Welcomes the overall review of the Organization's decentralization strategy and the progress made in the implementation of the decentralization process;
13. Notes that the second phase of the review of the impact of decentralization will be conducted by the Director-General in 2008-2009;
14. Endorses the recommendations of the Executive Board in 171 EX/Decision 5 Part III.

Item 10.2 Financial report and audited financial statements relating to the accounts of UNESCO for the financial period ended 31 December 2003, and report by the External Auditor (33 C/26 and Add., 33 C/INF.8 and 33 C/INF.9).

21. The Administrative Commission examined item 10.2 at its third meeting. Following the debate during which eleven delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined document 33 C/26 and Add.,
2. Expresses its appreciation to the External Auditor for the high standard of her work;
3. Notes the opinion of the External Auditor that the financial statements presented fairly in all material respects, the financial position of UNESCO as at 31 December 2003 and the results of its operations and its cash flows for the two-year financial period then ended; that they were prepared in accordance with the stated accounting policies, which were applied on a basis consistent with that of the preceding financial period;
4. Also notes the use of the unspent balance of unliquidated obligations to liquidate other outstanding legal obligations of the Organization as explained in Note 5(d) to the Financial Statements;
5. Further notes the status of implementation with regard to the recommendations of the External Auditor;

6. Receives and accepts the report of the External Auditor and the audited financial statements on the accounts of UNESCO for the financial period ended 31 December 2003.

Item 10.3 Financial report and interim financial statements relating to the accounts of UNESCO as at 31 December 2004 for the financial period ending 31 December 2005 (33 C/27, Corr. and Add.)

22. The Administrative Commission examined item 10.3 at its fourth and ninth meetings during which 16 delegates took the floor, and recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined document 33 C/27, 33 C/27 Corr. and 33 C/27 Add.,
2. Recalling Articles 12.10 and 11.2 of UNESCO's Financial Regulations,

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3. Requests the Director-General that the use of the unspent balance of unliquidated obligations should be kept to the minimum necessary and that the unspent balances should be discharged as provided for in Financial Regulation 4.3;
4. Takes note of the Director-General's decision on the use of the unspent balance of unliquidated obligations to liquidate other outstanding legal obligations of the Organization as explained in Note 5(ii)(c) to the Financial Statements;
5. Notes the financial report of the Director-General together with the interim financial statements of UNESCO as at 31 December 2004 for the financial period ending 31 December 2005;

II

6. Requests the Executive Board to report to it at each session on the implementation of the current Programme and Budget (C/5), together with the results achieved in the previous biennium (C/3);
7. Also requests the Director-General to take appropriate steps to ensure that, at the close of the present 2004-2005 biennium, budgetary allocations for the five major programmes of the Organization have been efficiently and effectively spent in support of UNESCO's activities;
8. Further requests the Director-General to report to it, at its 34th session on the management of UNESCO's Headquarters, including progress with the implementation of the Belmont Plan and information on work at the Miollis/Belmont site.

Item 10.5 Scale of assessments and currency of Member States' contributions (33 C/29)

23. The Administrative Commission examined item 10.5 at its first meeting. Following the debate during which nine delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

PART I – SCALE OF ASSESSMENTS

The General Conference,

1. Recalling Article IX of the Constitution, which stipulates in paragraph 2 that the General Conference shall approve and give final effect to the budget and to the apportionment of financial responsibility among the Member States of the Organization,
2. Considering that the scale of assessments for Member States of UNESCO has always been based on that of the United Nations, subject to the adjustments necessitated by the difference in membership between the two organizations,
3. Resolves that:
 - (a) the scale of assessments of Member States of UNESCO for the years 2006 and 2007 shall be calculated on the basis of the scale or scales of assessment adopted by the United Nations General Assembly at its 58th and 61st sessions; the UNESCO scale or scales shall be established with the same minimum rate and the same maximum rate, all the other rates being adjusted to take into account the difference in membership between the two organizations in order to derive a UNESCO scale of 100%;
 - (b) if the United Nations General Assembly approves a scale for 2007 different from that for 2006, the relevant provisions of Articles 5.3 and 5.4 of the Financial Regulations shall not be applied;
 - (c) if the United Nations General Assembly revises the scale for 2006 at the 60th session, the revised scale will be adopted by UNESCO;
 - (d) new members depositing their instruments of ratification after 3 October 2005 and Associate Members shall be assessed in accordance with the formulas set forth in 26 C/Resolution 23.1;
 - (e) rates of assessment for Member States shall be rounded off to the same number of decimal places as in the United Nations scale or scales; rates of assessment for Associate Members shall be rounded off to one additional decimal place, as necessary, in order to allow the effective reduction to 60% of the minimum rate of assessment for Member States stipulated in 26 C/Resolution 23.1.

PART II – CURRENCY OF ASSESSMENT AND PAYMENT OF CONTRIBUTIONS

Administration of the split-level assessment system for 2006-2007

The General Conference,

1. Having examined the report of the Director-General on the currency of contributions of Member States (33 C/29),
2. Recalling Article 5.6 of the Financial Regulations which stipulates that “Contributions to the budget shall be assessed partly in United States dollars and partly in euros in a proportion to be determined by the General Conference and shall be paid in these or other currencies as decided by the General Conference ...”,

3. Conscious of the need to reduce the exposure of the Organization to adverse currency fluctuation during 2005-2007,
4. Resolves, in respect of contributions for the years 2006 and 2007, that:
 - (a) contributions to the budget shall be assessed on the basis of the approved scale of assessments as follows:
 - (i) in euros 56% of the budget calculated at the rate of US \$1 equal to €0.869;
 - (ii) in United States dollars – the remainder of the amount of contributions to be paid by Member States;
 - (b) contributions shall be paid in the two currencies in which they are assessed; nevertheless payment of the amount assessed in one currency may be made, at the choice of the Member State, in the other currency of assessment; unless the amounts assessed are received simultaneously and in full in the currencies in which they are assessed, credit shall be given against contributions due in proportion to the amounts assessed in both currencies, by the application of the United Nations operational rate of exchange between the United States dollar and the euro on the date on which the contribution is credited to a bank account of the Organization;
 - (c) contributions to be assessed in euros for the financial period that remain unpaid at the time of assessment of contributions for the subsequent financial period shall be considered as due and payable in United States dollars thereafter and for this purpose shall be converted into United States dollars using the euro rate of exchange, that is most beneficial to the Organization, by reference to the following four options:
 - (i) the constant rate of exchange of 0.869 euro to the dollar used to calculate the euro portion of assessed contributions for the biennium;
 - (ii) the average United Nations operational rate of exchange for the euro during the biennium;
 - (iii) the United Nations operational rate of exchange for the euro applicable for the month of December of the second year of the biennium;
 - (iv) the United Nations operational rate for the euro applicable on 31 December of the second year of the biennium;
 - (d) arrears of contributions from previous financial periods and arrears converted into annual instalments considered as due and payable in United States dollars, but received in a currency other than the United States dollar, shall be converted into United States dollars at either the most favourable rate which UNESCO can obtain for conversion of the currency in question into United States dollars on the market on the date on which the amount is credited to a bank account of the Organization or at the United Nations operational rate of exchange on the same date, whichever is more beneficial to the Organization;

- (e) when contributions are received in advance in euros for subsequent financial periods, such advance contributions shall be converted into United States dollars at the operational rate of exchange ruling on the date when payment is credited to a bank account of the Organization; all contributions received in advance shall be held in the name of the contributor in United States dollars, and credit shall be given against contributions due for the subsequent financial period in dollars and euros, in the proportion determined by the General Conference, using the operational rate of exchange prevailing on the date of dispatch of letters of assessment for the first year of the following financial period;
5. Considering nevertheless that Member States may find it desirable to discharge part of their contributions in the currency of their choice,
6. Resolves that:
- (a) the Director-General is authorized, upon request from a Member State, to accept payment in the national currency of the Member State if he considers that there is a foreseeable need for that currency in the remaining months of the calendar year;
 - (b) when accepting national currencies the Director-General, in consultation with the Member State concerned, shall determine that part of the contribution which can be accepted in the national currency, taking into account any amounts requested for payment of UNESCO Coupons; the Member State concerned must make a global proposal in that case;
 - (c) in order to ensure that contributions paid in national currencies will be usable by the Organization, the Director-General is authorized to fix a time limit for payment, in consultation with the Member State concerned, after which contributions would become payable in the currencies mentioned in paragraph 1 above;
 - (d) acceptance of currencies other than the United States dollar or the euro is subject to the following conditions:
 - (i) currencies so accepted must be usable, without further negotiation, within the exchange regulations of the country concerned, for meeting all expenditure incurred by UNESCO within that country;
 - (ii) the rate of exchange to be applied shall be the most favourable rate which UNESCO can obtain for the conversion of the currency in question into United States dollars at the date at which the contribution is credited to a bank account of the Organization; after translation into United States dollars, credit shall be given against contributions for 2006-2007 where appropriate in proportion to the amounts assessed in United States dollars and euros, in the manner specified in paragraph 1 above;
 - (iii) if, at any time within the 12 months following the payment of a contribution in a currency other than the United States dollar or the euro, there should occur a reduction in the exchange value or a devaluation of such currency in terms of United States dollars, the Member State concerned may be required, upon notification, to make an adjustment payment to cover the exchange loss pertaining to the unspent balance of the contribution; to the extent that

the Director-General considers that there is a foreseeable need for that currency in the remaining months of the calendar year, he is authorized to accept the adjustment payment in the national currency of the Member State;

(iv) if, at any time within the 12 months following the payment of a contribution in a currency other than the United States dollar or the euro, there should occur an increase in the exchange value or a revaluation of such currency in terms of United States dollars, the Member State concerned may require the Director-General, upon notification, to make an adjustment payment to cover the exchange gain pertaining to the unspent balance of the contribution; such adjustment payments will be made in the national currency of the Member State;

7. Resolves further that any differences due to variations in the rates of exchange not exceeding \$100 relating to the last payment against contributions due for the biennium in question, shall be posted to exchange profit and loss account.

Item 10.6 Collection of Member States' contributions (33 C/30, Add. and Add.2)

24. The Administrative Commission examined item 10.6 at its first and ninth meetings. Following the debate during which 35 delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined the report of the Director-General on the collection of contributions of Member States (33 C/30),

I

2. Strongly supports the approaches the Director-General is continuing to make to Member States with a view to obtaining timely payment of contributions;
3. Recalls again that the prompt payment of contributions is an obligation incumbent on Member States under the Constitution and the Financial Regulations of the Organization;
4. Urgently appeals to those Member States which are behind with the payment of their contributions to pay their arrears without delay and, where appropriate, to respect their payment plans;
5. Calls upon Member States to take the necessary steps to ensure that their contributions are paid in full at as early a date as possible during the 2006-2007 financial period;
6. Takes note of the special situation with regard to Yugoslavia;
7. Noting in particular the failure of [15, to be updated when resolution voted] Member States to pay on time the amounts due by them against payment plans approved by the General Conference for settlement of their accumulated arrears in annual instalments,
8. Appeals to those Member States to settle their outstanding annual instalments at the earliest possible time as well as their regular assessed contributions;

9. Urges Member States, on receipt of the Director-General's request for payment of assessed contributions, to inform him, as promptly as possible of the probable date, amount and method of payment of the forthcoming contribution in order to facilitate his management of the Organization's treasury function;
10. Authorizes the Director-General, to negotiate and contract, as an exceptional measure, short-term loans on the best terms available, if it should become necessary, to enable the Organization to meet its financial commitments during 2006-2007, and to limit the periods and amounts of borrowing to the strictest minimum, and resort to external borrowing only once all possibilities of internal borrowing have been exhausted, with a view to phasing out external borrowing as soon as possible, and to keep the Executive Board regularly informed of the use made of this authorization.

II

Collection of contributions – Costa Rica

Having been advised of the desire of the Government of Costa Rica to find an acceptable solution for settlement of arrears of contributions due,

1. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
2. Accepts the proposal as set forth by the Government that the balance of the contributions due for the financial period 2002-2003 and 2004-2005, totalling \$184,711 shall be paid as follows: in 2005 an amount of \$1,712; from 2006 to 2010, five equal instalments of \$30,499 and in 2011 one instalment of \$30,504, all payable by 30 June of each year;
3. Decides that payments of contributions received from Costa Rica during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;
4. Calls upon the Government of Costa Rica to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
5. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Guinea-Bissau

Having been advised of the desire of the Government of Guinea-Bissau to find an acceptable solution for settlement of arrears of contributions due,

6. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
7. Accepts the proposal as set forth by the Government that the balance of the instalments remaining due for the payment plan approved at the 30th session and the contributions due for the financial periods 2000-2001 to 2004-2005, totalling \$367,546 shall be paid by a first amount of \$58,368 by the end of 2005, followed by six annual instalments of \$51,529 from 2006 to 2010 and \$51,533 in 2011, all payable by 30 June of each year;

8. Decides that payments of contributions received from Guinea-Bissau during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;
9. Calls upon the Government of Guinea-Bissau to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
10. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Liberia

Having been advised of the desire of the Government of Liberia to find an acceptable solution for settlement of arrears of contributions due,

11. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
12. Accepts the proposal as set forth by the Government that the balance of the instalments remaining due for the payment plan approved at the 30th session and the contributions due for the financial period 2000-2001 to 2004-2005, totalling \$218,523 shall be paid as follows: in 2005 an amount of \$5,000; from 2006 to 2010, five annual instalments of \$35,587 and in 2011 one instalment of \$35,588, all payable by 30 June of each year;
13. Decides that payments of contributions received from Liberia during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;
14. Calls upon the Government of Liberia to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
15. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Republic of Moldova

Having been advised of the desire of the Government of the Republic of Moldova to find an acceptable solution for settlement of arrears of contributions due,

16. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
17. Accepts the proposal as set forth by the Government that the balance of the instalments remaining due for the payment plan approved at the 30th session and the contributions due for the financial period 2000-2001 to 2004-2005, totalling \$1,457,365 shall be paid in ten instalments as follows: from 2006 to 2014 nine equal instalments of \$145,736 and in 2015 one instalment of \$145,741, all payable by 30 June of each year;
18. Decides that payments of contributions received from the Republic of Moldova during the second year of the next biennium shall be credited first against annual instalments

due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;

19. Calls upon the Government of the Republic of Moldova to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
20. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Nauru

Having been advised of the desire of the Government of Nauru to find an acceptable solution for settlement of arrears of contributions due,

21. Notes the amount outstanding as shown in document 32 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
22. Accepts the proposal as set forth by the Government that the balance of the instalments remaining due from the payment plan approved at its 31st session and the contributions due for the financial period 2002-2003 and 2004-2005, totalling \$22,700 shall be paid as follows: in 2005 an amount of \$6,839; from 2006 to 2010 five equal instalments of \$2,643 and in 2011 one instalment of \$2,646, all payable by 30 June of each year;
23. Decides that payments of contributions received from Nauru during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;
24. Calls upon the Government of Nauru to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
25. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Peru

Having been advised of the desire of the Government of Peru to find an acceptable solution for settlement of arrears of contributions due,

26. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
27. Accepts the proposal as set forth by the Government that the contribution due for the financial periods 2002-2003 and 2004-2005, totalling \$1,429,617 shall be paid by an amount of \$50,000 by the end of 2005, followed by six instalments from 2006 to 2010, five equal instalments of \$229,936 and in 2011 one instalment of \$229,937, all payable by 30 June of each year;
28. Decides that payments of contributions received from Peru during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;

29. Calls upon the Government of Peru to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
30. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Collection of contributions – Niger

Having been advised of the desire of the Government of Niger to find an acceptable solution for settlement of arrears of contributions due,

31. Notes the amount outstanding as shown in document 33 C/30 Add. after translation of the amount due in euros into United States dollars at the constant rate of exchange;
32. Accepts the proposal as set forth by the Government that the balance of the instalments remaining due for the payment plan approved at the 30th session and the contributions due for the financial period 2000-2001 to 2004-2005, totalling \$128,565 shall be paid in six instalments as follows: from 2006 to 2010 five equal instalments of \$21,427 and in 2011 one instalment of \$21,430, all payable by 30 June of each year;
33. Decides that payments of contributions received from Niger during the second year of the next biennium shall be credited first against annual instalments due, secondly to the Working Capital Fund, and then to the contributions due in the order in which the Member was assessed;
34. Calls upon the Government of Niger to ensure that the contributions assessed for 2006 and subsequent years are paid promptly on a regular basis;
35. Requests the Director-General to report to it at each forthcoming ordinary session on the implementation of this resolution.

Item 10.7 Working Capital Fund: Level and administration (33 C/31)

25. The Administrative Commission examined item 10.7 at its second meeting. Following the debate during which three delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

PART I

Level of the Working Capital Fund

The General Conference,

Having examined document 33 C/31,

1. Decides:
 - (a) that the authorized level of the Working Capital Fund for 2006-2007 shall be fixed at \$28 million and that the amounts to be advanced by Member States shall be calculated according to the rates assigned to them under the scale of assessments approved by the General Conference for 2006-2007;

- (b) that a new Member State shall be required to make an advance to the Working Capital Fund, calculated as a percentage of the authorized level of the Fund, in accordance with the percentage assigned to it under the scale of assessments applicable at the time it becomes a Member;
- (c) that the resources of the Fund shall be assessed and paid in United States dollars; these resources shall normally be held in United States dollars, but the Director-General shall have the right, with the agreement of the Executive Board, to alter the currency or currencies in which the Fund is held in such a manner as he deems necessary to ensure the stability of the Fund and the smooth functioning of the split-level assessment system; if such an alteration should be agreed, an appropriate exchange equalization account should be established within the Fund to record translation gains and losses on exchange;
- (d) that the Director-General is authorized to advance from the Working Capital Fund, in accordance with Article 5.1 of the Financial Regulations, such sums as may be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced shall be reimbursed as soon as receipts from contributions are available for that purpose;
- (e) that the Director-General is authorized to advance during 2006-2007 sums not exceeding in total \$500,000 at any one time, to finance self-liquidating expenditures, including those arising in connection with trust funds and Special Accounts; these sums are advanced pending availability of sufficient receipts from trust funds and Special Accounts, international bodies and other extrabudgetary sources; sums so advanced shall be reimbursed as rapidly as possible.

PART II

Administration of the Working Capital Fund

The General Conference,

Recalling the provisions made in pursuance of 32 C/ Resolution 68,

1. Authorizes further allocations in 2006-2007 of UNESCO coupons payable in local currencies, up to a maximum of \$2 million, on condition that the accumulated totals in such currencies shall not exceed their projected utilization over the following 12-month period and bearing in mind that Member States should propose settlement in national currencies of arrears of assessed contributions for previous years before or at the same time as applying for allocations of UNESCO coupons under this facility;
2. Resolves that any losses on exchange arising from the acceptance of national currencies for purchases of UNESCO coupons under this facility shall be borne by the purchasing Member State.

Item 10.8 Staff Regulations and Staff Rules (33 C/32)

26. The Administrative Commission examined item 10.8 at its eighth meeting during which two delegates took the floor, and recommended to the General Conference to adopt the following resolution:

The General Conference,

Having examined document 33 C/32,

Takes note of the information provided in that document;

Decides to amend Regulation 4.4 as follows:

Regulation 4.4

Subject to the provisions of Regulations 4.2, 4.3, 4.3.1 and 4.3.2, and without prejudice to the recruitment, at all levels, of fresh talent, staff members (and former staff members with at least one year's service, separated during the previous two years owing to the abolition of posts) shall be given priority of consideration for vacant posts. *In the case of internal recruitment, posts shall be advertised for one month. The Director-General may limit eligibility to apply for vacant posts to internal candidates as defined by the applicable Staff Rules.* Next priority, *with regard to externally advertised posts,* shall be given, subject to reciprocity, to applicants already in the service of the United Nations and other Specialized Agencies.

Item 10.9 Staff salaries, allowances and benefits (33 C/33)

27. The Administrative Commission examined item 10.9 at its eighth meeting during which one delegate took the floor, and recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined the report of the Director-General on staff salaries, allowances and benefits (33 C/33),
2. Having taken into consideration the recommendations and decisions of the United Nations General Assembly and the International Civil Service Commission (ICSC) relating to salaries, allowances and other benefits of the staff of organizations who participate in the United Nations common system of salaries, allowances and conditions of service,
3. Considering the possibility that the ICSC may recommend to the United Nations General Assembly measures affecting salaries, allowances and benefits,
4. Mindful also of the possibility that ICSC may, on its own initiative and by virtue of the authority conferred on it by Article 11 of its Statute, adopt or decide on similar measures,
5. Endorses the measures already taken by the Director-General pursuant to the recommendations and decisions of the United Nations General Assembly and of the International Civil Service Commission (ICSC), as set forth in document 33 C/33;
6. Authorizes the Director-General to continue to apply to the staff of UNESCO measures of this kind that might be adopted either by the General Assembly or, by virtue of the authority conferred upon it, the ICSC;

7. Further invites the Director-General to report to the Executive Board on these measures and, if he has budgetary difficulties in applying them, to submit to the Board for approval proposals for ways of dealing with such a situation.

Item 10.10 Report by the Director-General on the situation concerning the geographical distribution of staff (33 C/34 and Add.)

28. The Administrative Commission examined item 10.10 at its ninth meeting. Following the debate during which ten delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Recalling 32 C/Resolution 71, 170 EX/Decision 7.5 and 172 EX/Decision 37,
2. Having examined document 33 C/34,
3. Takes note of the information provided by the Director-General regarding the situation of the geographical distribution and the gender balance of the staff as of 1 June 2005;
4. Welcomes the overall positive trends in the geographical representation and gender balance of the staff of the Secretariat over the last five years;
5. Recalls that the highest standards of integrity, efficiency and technical competence should remain the paramount criteria for recruitment;
6. Further takes note of the implementation of specific measures aimed at improving geographical distribution, in particular for non- and under-represented Member States;
7. Invites the Director-General to submit to it at its 34th session a report on the situation of the geographical distribution and gender balance of the staff of the Secretariat.

Item 10.11 United Nations Joint Staff Pension Fund and UNESCO Staff Pension Committee (33 C/35)

29. The Administrative Commission examined item 10.11 at its tenth meeting. Following the debate the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

1. Having examined document 33 C/35,
2. Notes the report by the Director-General on the United Nations Joint Staff Pension Fund;
3. Appoints the representatives of the following six Member States to the UNESCO Staff Pension Committee for the period from 1 January 2006 to 31 December 2007:

As members

Malaysia
Peru
Tunisia

As alternates

Czech Republic
Ethiopia
Luxembourg

Item 10.12 Report by the Director-General on the state of the Medical Benefits Fund and appointment of Member States' representatives to the Board of Management for 2006-2007 (33 C/36 and Add.)

30. The Administrative Commission examined item 10.12 at its tenth meeting. Following the debate during which seven delegates took the floor, the Commission recommended to the General Conference to adopt the following resolution:

The General Conference,

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1. Recalling 32 C/Resolution 73, 171 EX/Decision 38 and 172 EX/Decision 38,
2. Having examined documents 33 C/36 and 172 EX/36,
3. Recognizes that the Medical Benefits Fund is an efficient and indispensable element of medical protection for serving and retired staff members;
4. Takes note of the recommendations of the External Auditor concerning the Medical Benefits Fund including the timetable for their implementation as well as the global plan of action and the measures proposed by the Director-General to ensure the Fund's long-term financial stability and equilibrium;
5. Welcomes the launching of an international call for tenders with a view to selecting the best offer for subcontracting of the processing of claims that the Fund carries out worldwide for all its participants;
6. Decides to exceptionally suspend Financial Regulation 4.4 and authorizes the Director-General to use the balance of unliquidated obligations from the 2002-2003 biennium (\$2,478,170) to finance, as a one-time measure, the costs of subcontracting the processing of the reimbursement claims of the Fund;
7. Invites the Director-General to report to the Executive Board at its 176th session on the Medical Benefits Fund, including the possibility of reviewing contributions to the Fund;

II

8. Designates the following two Member States to act as observers on the Board of Management of the Fund for the 2006-2007 biennium:

Finland
Lao People's Democratic Republic