

purchasing power of emoluments at the headquarters of the Organization, and to the need for the constant and careful observance of strict economy.

"The annual contributions of Member States to the Organization's budget must be expended primarily on the educational, scientific and cultural work recommended in the programme adopted by successive Conferences, and secondarily on the Administration properly so called. There should be no 'administration for administration's sake', any more than there should be 'art for art's sake'. Administration is of course necessary. It is, indeed, essential. But its object is to promote the execution of the programme."

#### FINANCIAL QUESTIONS

After some discussion in the Commission the report of the auditors for the financial year 1947 was adopted. The report noted that the obligations system of accounting had been considerably improved, and was now acceptable to the auditors. The Canadian delegation raised questions in connection with the evaluation of fixed assets taken over by UNESCO in Paris, and was advised that an inventory had been completed and valuation would be placed on each article as soon as possible. With respect to the recovery of funds embezzled by a cashier in 1947, the Canadian delegation was advised that since the official had spent the money and had no assets, under French law no provision existed for recovery after he was released from his five-year prison term.

Several important decisions were taken by the Administrative Commission concerning contributions from member states to the annual budget of UNESCO. It was decided that a state whose contribution was more than two years in arrears should in future lose its voting rights until payment of its arrears is made. As for the scale of contributions, a proposal was received from the United States delegation, which in 1948 contributed 41.38% of the UNESCO budget, that no member state should contribute more than one-third of the budget for any one year. The Mexico City Conference had agreed in principle to this ceiling, and the United Nations had adopted it as a rule "in normal times". The Commission agreed that "as world conditions permit" the rule should be applied to UNESCO, and that for 1949 the United States contribution should be reduced by one-third of the difference between its 1949 contribution under the former scale and the ceiling of 33 1/3%. The Canadian contribution for 1949 was fixed at 3.81%.

The question of the currencies in which contributions of soft currency countries should

be made in 1949 was examined carefully by the Administrative Commission. In 1948 many countries were allowed to pay in French francs, and it was proposed at Beirut that this practice should be continued in 1949. However, since fluctuations in the value of the franc in 1949 would seriously affect the receipts of the Organization, the Commission studied various proposals concerning the rate of dollar-franc exchange to be used in determining the contributions of the soft currency countries. Two alternative rates of payment were most favoured by members of the Commission:

- (i) Payment at a rate of exchange equal to the average between the official and the free market exchange rates;
- (ii) Payment at the free market rate of exchange of the franc.

The Commission decided to adopt the first alternative. The Canadian delegation voted against this decision, since it considered that member states should pay their contributions at the rate of exchange most favourable to UNESCO and since the adoption of the first alternative meant that the actual receipts of UNESCO would be reduced by approximately \$500,000.

The First Session of the General Conference of UNESCO authorized the establishment of a Revolving (working capital) Fund of \$3,000,000 to finance the activities of the Organization while awaiting the contributions of member states. \$1,000,000 of the Fund was collected in 1947, and a second million dollars in 1948. It was agreed at Beirut that the Fund should be brought up to \$3,000,000 in 1949. In view of the fact that the \$800,000 surplus from 1947 was transferred to the Fund, only \$200,000 remains to be collected from member states. The Director-General was instructed to maintain the Fund in United States dollars if possible, in order to ensure its stability.

Various amendments to UNESCO's financial regulations were adopted by the Conference in order to increase efficiency in UNESCO's financial administration. In general it was the Canadian attitude in this matter that more experience should be attained by UNESCO before permanent revisions were made in the existing regulations.

Other financial decisions taken by the Administrative Commission and adopted by the General Conference concerned the reappropriation of miscellaneous income from training and from the loan of translators, and the examination of future budget assessments by the expert panel on Finance and Administration of the Executive Board. The latter resolution was initiated by the United States.