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Item No. 5 on the Agenda:
Preparation of the draft budget for the 2008 financial year

(memorandum prepared by the Secretariat)

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| <i>Summary</i> | <i>State of the First estimates of receipts and expenditure for the 2008 financial year prepared by the Secretariat</i> |
| <i>Action to be taken</i> | <i>Preparation of the draft budget for the 2008 financial year</i> |
| <i>Related documents</i> | <i>F.C.S.C. (107) 2</i> <i>F.C.S.C. (107) 3</i> |

1. The first estimates of receipts and expenditure for the 2008 financial year prepared by the Secretariat (F.C.S.C. (107) 2) were examined by the Sub-committee of the Finance Committee at its 107th session held in Rome on 6 March 2007. The Governing Council, on the basis of these first estimates, is called to draw up the draft Budget for 2008 to be communicated to member Governments for observations. Governments will have until 30 September 2007 to make observations. Together with any such observations, the draft Budget will be laid before the Finance Committee at its 62nd session, to be held in Rome in October 2007. At that session it will be for the Finance Committee to express its opinion on the draft Budget prior to its submission to the General Assembly at its 61st session, to be held in Rome at the end of November 2007.

2. As regards the presentation of the draft Budget, the Secretariat has considered it preferable to maintain the structure adopted in previous years by retaining the same division of the receipts and the expenditure into chapters and articles. Nevertheless, in order to respect the recommendations of the financial organs of the Institute, to wit the Finance Committee and the General Assembly, to allow for greater transparency and to link the expenditure to the different projects and activities of the Institute, the Secretariat proposes the following two innovations:

a) the addition of a statement of the extra-budgetary receipts and expenditure of the Institute, such as the Scholarships Programme which is financed by special contributions of member States or by the allocation of certain private donations. Even if the sums concerned are very modest, and completely without effect on the finances of the Organisation, this would permit the organs of the Institute to know the financial aspects of a certain number of projects managed by the Institute which, as they do not appear in the Budget, thus far had not been presented in official documents;

b) the allocation of the expenditure and, at need, of the receipts, to the different projects and activities of the Institute; this objective will be reached by the utilisation of internal documents drawn up under the responsibility of the officer entrusted with the project or activity, the contents of which will be summarised in a document which will permit the verification of the cost of each project or activity both when the accounts are prepared and when the budget is drawn up.

3. In preparing the first estimates for the draft Budget the Secretariat has been extremely prudent as regards the estimated receipts, as, at the present time of year, it is still difficult to know with any certitude if the Institute will be able to count on certain contributions made either by member States in addition to their statutory contributions or by private entities in the form of donations, just as it is difficult to assess developments as regarded arrears.

4. The Secretariat has prepared the first estimates keeping well in mind the recommendations of the Finance Committee and the General Assembly to try to reduce expenditure and to try to respect the principle of zero growth. As regards chapters other than Chapters 2 (Salaries and allowances) and 3 (Social security charges), the first estimates are for sums identical to those of the 2007 budget, which, considering increases in prices, in reality represents savings. As regards Chapters 2 and 3, the Secretariat has been obliged to reduce them in comparison with 2007 and to foresee for 2008 a reorganisation of the staff; the Secretariat sincerely hopes to be able to come back on this decision if the situation of the receipts permitted this, in view of the importance that certain functions and activities be carried out in a competent manner. The Sub-committee of the Finance Committee shared this wish.

5. After the drafting of the first estimates and the session of the Sub-committee of the Finance Committee, the Secretariat has received a letter from Mr Anthony Inglese, member of the Council, offering an extra-statutory contribution of the Government of the United Kingdom of £ 50,000 for the funding, for the third year, of the post of Deputy Secretary General carrying the function of Chief Administrator. The Secretariat expresses its gratitude to Mr Inglese and to the Government of the United Kingdom for this generous offer.

6. The Secretariat proposes therefore to the Governing Council (a) to accept the extra-statutory contribution of the Government of the United Kingdom, and to allocate it for the purpose expressly specified; (b) to approve the draft budget for the financial year 2008, drafted on the basis of the first estimates, as modified as a consequence of the British extra-statutory contribution.