

# Financial Regulations



UNESCO  
Last update: 24 July 2024

Adopted by the General Conference at its 6th session and amended at its 7th, 8th, 10th, 12th, 14th, 16th, 17th, 19th, 22nd, 23rd, 24th, 25th, 26th, 28th, 30th, 31st, 35th, 38th and 42nd sessions.<sup>1</sup>

## Article 1 - Applicability

1.1 These Regulations shall govern the financial administration of UNESCO. The applicable accounting standards shall be the International Public Sector Accounting Standards (IPSAS).

## Article 2 - Financial period

2.1 The financial period for the budget estimates shall be two consecutive calendar years beginning with an even-numbered year.

## Article 3 - Budget preparation and approval

3.1 The budget estimates for the financial period shall be prepared by the Director-General. They shall be presented under an Integrated Budget Framework, which shall be results-based and comprise all the activities that contribute to the implementation of the Programme of Work, included those funded from the regular budget, voluntary contributions and other sources of funds.

3.2 The estimates shall cover income and expenditure for the financial period and shall be presented in dollars of the United States of America.

3.3 The budget estimates shall be divided into parts, chapters and lines. They shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the General Conference, and such further annexes or statements as the Director-General may deem necessary and useful.

3.4 The Executive Board shall examine budget estimates prepared by the Director-General and submit them to the ordinary session of the General Conference with such recommendations as it considers desirable. The budget estimates shall be transmitted to all Member States and Associate Members so as to reach them at least three months prior to the opening of the ordinary session of the General Conference.

3.5 The Director-General shall, prior to the opening of the ordinary session of the General Conference, submit the estimates to the Executive Board for examination.

3.6 The recommendations of the Executive Board concerning the budget estimates that accompany the draft programme prepared by the Director-General shall be transmitted to Member States and Associate Members so as to reach them at least three months prior to the opening of the ordinary session of the General Conference.

3.7 The budget shall be adopted by the General Conference.

3.8 Supplementary estimates for the regular budget may be submitted by the Director-General whenever necessary. They shall be prepared in a form consistent with the budget estimates for the financial period and shall be submitted to the Executive Board.

3.9 Supplementary estimates up to a total of 7.5 per cent of the appropriations for the financial period may be approved provisionally by the Executive Board, after it is satisfied that all possibilities of savings and of transfers within Parts I to III of the budget have been exhausted, and shall be reported to the General Conference for final approval. Supplementary estimates in excess of 7.5 per cent of the appropriations for the financial period shall be reviewed by the Executive Board and submitted to the General Conference with such recommendations as the Board may consider desirable.

#### Article 4 - Spending authority

4.1 The appropriations approved by the General Conference shall constitute an authorization to the Director-General to incur commitments and make payments for the purposes for which those appropriations were approved and up to the amounts so approved, except that approval of the Executive Board shall be required for grants-in-aid and subsidies to other organizations.

4.2 Appropriations shall be available for making commitments in the financial period to which they relate for delivery in that financial period or the subsequent calendar year in accordance with the Appropriation Resolution.

4.3 Transfers within the total amount appropriated may be made to the extent permitted by the terms of the budget resolution adopted by the General Conference.

4.4 The Director-General may incur commitments under the regular budget for future budget periods, provided that these:

(a) are for activities which have been approved by the General Conference and are expected to continue beyond the end of the current budget period; or

(b) are authorized by specific resolutions of the General Conference.

4.5 The Director-General may incur commitments and make payments under Trust Funds, Special Accounts and Reserves in accordance with Regulations 6.5 and 6.6.

#### Article 5 - Assessed contributions

5.1 The appropriations, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by contributions from Member States, according to the scale of

assessments determined by the General Conference. The scale of assessments shall normally be calculated on the basis of the one adopted by the United Nations General Assembly for the year of assessment, subject to the adjustments necessitated by the difference in membership between the two organizations. Pending the receipt of such contributions the appropriations may be financed from the Working Capital Fund.

5.2 In the assessment of the contributions of Member States adjustments shall be made to the amount of the appropriations approved by the General Conference for the following financial period in respect of supplementary appropriations for which contributions have not previously been assessed on the Member States.

5.2.bis The residual balance of appropriations of the previous financial period shall be credited to the Special Account for Capital and Strategic Investments, after confirmation by the General Conference.

5.3 After the General Conference has adopted the budget and determined the amount of the Working Capital Fund, the Director-General shall:

- (a) Transmit the relevant documents to Member States;
- (b) Inform Member States of their commitments in respect of contributions to the regular budget and advances to the Working Capital Fund;
- (c) Request them to remit one half of their contributions for the two-year financial period, together with their advances to the Working Capital Fund.

5.4 At the end of the first calendar year of the two-year financial period, the Director-General shall request Member States to remit the other half of their contributions to the regular budget for that financial period.

5.5 Contributions to the regular budget and advances to the Working Capital Fund shall be considered as due and payable in full within thirty days of the receipt of the communications of the Director-General referred to in Regulations 5.3 and 5.4 above or as of the first day of the year to which they relate, whichever is the later. As of 1 January of the following year the unpaid balance of such contributions and advances shall be considered to be one year in arrears. Contributions shall be recorded as revenue as of 1 January in the year to which they relate.

5.6 Contributions to the regular 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. Advances to the Working Capital Fund shall be assessed and paid in United States dollars unless otherwise decided by the General Conference.

5.7 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member was assessed.

5.8 The Director-General shall submit to the ordinary session of the General Conference a report on the collection of contributions to the regular budget and advances to the Working Capital Fund.

5.9 New Members shall be required to make a contribution for the financial period in which they become Members and provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Conference. Such contributions shall be recorded as revenue in the year in which they are due. New Associate Members shall be assessed at a rate established by the General Conference.

Article 6 - Funds, Special Accounts and Reserves

6.1 There shall be established a General Fund for the purpose of accounting for the expenditures of the Organization. The contributions paid by Member States under Regulation 5.1, Other/miscellaneous revenue, and any advances made from the Working Capital Fund to finance general expenditure shall be credited to the General Fund.

6.2 There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the General Conference. The source of moneys of the Working Capital Fund shall be advances from Member States, and these advances made in accordance with the scale of assessments as determined by the General Conference for the apportionment of the regular budget expenses of UNESCO shall be carried to the credit of the Member States which have made such advances. If a Member State withdraws from the Organization, any credit it may have in the Working Capital Fund shall be used towards liquidation of any financial obligation such Member State may have to the Organization. Any residual balance shall be refunded to the Member State withdrawing. In addition, Member States may make voluntary advances to the Working Capital Fund at any time. Such advances shall be refunded upon request by the Member State concerned.

6.3 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial period shall be reimbursed to the Fund as soon as, and to the extent that revenue is available for that purpose.

6.4 Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses shall be reimbursed through the submission of supplementary estimates.

6.5 Trust Funds, Reserve and Special Accounts may be established by the Director-General and shall be reported to the Executive Board.

6.5.bis The Director-General shall inform the Executive Board in writing of the opening of Special Accounts and shall consult the Executive Board before the closing of Special Accounts.

6.6 The purpose and limit of each Trust Fund, Reserve and Special Account shall be clearly defined by the appropriate authority. The Director-General may, when necessary in connection with the purposes of a Trust Fund, Reserve or Special Account, prepare special financial regulations in conformity with the present Financial Regulations and the Financial Rules made pursuant to Regulation 15.2 to govern the operations of such funds and accounts, which shall be reported to the Executive Board; the Executive Board may make appropriate recommendations to the Director-General thereon. In the absence of special regulations, such funds and accounts shall be administered in accordance with the present Financial Regulations and the Financial Rules made pursuant to Regulation 15.2.

#### Article 7 - Other revenue

7.1 All other revenue to the General Fund except:

- (a) contributions to the budget;
- (b) direct refunds of expenditures made during the financial period;
- (c) advances or deposits to funds, special accounts and reserves;
- (d) finance revenue; and
- (e) exchange rate gains

shall be classified as Other/Miscellaneous revenue and transferred to the Special Account for Capital and Strategic Investments in the year following the closure of the accounts, after confirmation by the General

Conference in the second year of the biennium or after confirmation of the Executive Board in the first year of the biennium.

7.2 Finance revenue to the General Fund, including that on investments of the Working Capital Fund, net of discounts to Member States and other finance charges, shall be transferred to the Special Account for Capital and Strategic Investments in the year following the closure of the accounts after confirmation by the General Conference in the second year of the biennium or after confirmation by the Executive Board in the first year of the biennium.

7.3 Voluntary contributions, gifts, bequests and subventions, whether or not in cash, may be accepted by the Director-General provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such voluntary contributions, gifts, bequests and subventions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the Executive Board.

7.4 Moneys accepted for purposes specified by the donor shall be treated as Trust Funds or Special Accounts under Regulations 6.5 and 6.6.

7.5 The Director-General may receive contributions in cash from States which, although neither Members nor Associate Members, participate in certain programme activities or enjoy certain facilities or services provided by the Organization; he/she shall report thereon to the Executive Board.

7.6 Moneys accepted in respect of which no purpose is specified shall be credited to the general sub-account of the Special Account for Voluntary Contributions.

#### Article 8 - Custody of Funds

8.1 The Director-General shall designate the bank or banks in which the funds of the Organization shall be kept.

#### Article 9 - Investment of funds

9.1 The Director-General shall make short-term investments of moneys not needed for immediate requirements and shall include in the annual accounts of the Organization information on the investments held.

9.2 The Director-General may make long-term investments of moneys standing to the credit of Trust Funds, Reserve and Special Accounts as may be provided by the appropriate authority in respect of each such fund or account.

9.3 Revenue derived from investments shall be credited as provided in the rules relating to each fund or account.

#### Article 10 - Utilization of resources and Internal control

10.1 The Director-General shall:

- (a) Establish detailed financial rules, operating policies and procedures in order to ensure effective financial administration, the exercise of economy and safeguard of the assets of the Organization;
- (b) Designate the officers who may receive moneys, incur obligations and make payments on behalf of the Organization;
- (c) Maintain an internal control system to ensure the accomplishment of established objectives and goals for operations; the economical use of resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of assets;

(d) Maintain an internal oversight function which is responsible for the review, evaluation and monitoring of the adequacy and effectiveness of the Organization's overall systems of internal control. For this purpose, all systems, processes, operations, functions and activities within the Organization shall be subject to such review, evaluation and monitoring.

10.2 No commitment shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Director-General.

10.3 The following general principles shall be given due consideration when exercising the procurement functions of UNESCO:

- (a) best value for money;
- (b) fairness, integrity and transparency;
- (c) effective competition;
- (d) the interest of UNESCO.

10.4 Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Director-General deems that, in the interests of the Organization, a departure from such requirement is desirable

10.5 The Director-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the final accounts.

10.6 The Director-General may make such ex gratia payments as he/she deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted with the financial statements.

#### Article 11 - Accounts and financial statements

11.1 The Director-General shall maintain such accounting records as are necessary and shall submit the following financial statements in accordance with IPSAS:

- (a) Statement of financial position;
- (b) Statement of financial performance;
- (c) Statement of changes in net assets/equity;
- (d) Cash-flow statement;
- (e) Statement of comparison of budget and actual amounts for the reporting period;
- (f) Notes, including a summary of significant accounting policies.

The Director-General shall also:

- (a) Submit a Status of appropriations statement showing:
  - (i) The original budget appropriations;
  - (ii) The appropriations as modified by any transfers;

- (iii) Credits, if any, other than the appropriations voted by the General Conference;
  - (iv) The amounts charged against those appropriations and/or other credits; and
- (b) Give such other information as may be appropriate to indicate the current financial position of the Organization.

11.2 The annual accounts of the Organization shall be presented in dollars of the United States of America. Accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

11.3 Appropriate separate accounts shall be maintained for all Trust Funds, Reserve and Special Accounts.

11.4 The annual financial statements shall be submitted by the Director-General to the External Auditor no later than 31 March following the end of the year to which they relate.

#### Article 12 - External Audit

12.1 An External Auditor, who shall be the Auditor-General (or an officer holding the equivalent title) of a Member State, shall be appointed for a non-renewable term of six years, in the manner decided by the General Conference, for the purpose of auditing the accounts<sup>2</sup>. At its session immediately preceding the end of his/her mandate the General Conference shall again appoint an External Auditor.

12.2 If the External Auditor ceases to hold office as Auditor-General in his/her own country, his/her tenure of office as External Auditor shall thereupon be terminated and he/she shall be succeeded as External Auditor by his/her successor as Auditor-General for the remainder of his/her tenure as External Auditor. The External Auditor may not otherwise be removed during his/her tenure of office except by the General Conference.

12.3 The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Conference, in accordance with the Additional Terms of Reference set out in the annex to these Regulations.

12.4 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and in general the administration and management of the Organization.

12.5 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

12.6 The General Conference may request the External Auditor to perform certain specific examinations and to issue separate reports on the results. Acting under the authority of the General Conference, the Executive Board may do likewise.

12.7 The Director-General shall provide the External Auditor with the facilities he/she may require in the performance of the audit.

12.8 For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

12.9 The External Auditor shall issue a report on the audit of the annual financial statements and relevant schedules, which shall include such information as he/she deems necessary in regard to matters referred to in Financial Regulation 12.4 and in the Additional Terms of Reference.

12.10.1 The External Auditor's report together with the annual audited financial statements of the first year of the biennium shall be transmitted through the Executive Board, with such comments as it deems necessary, to the General Conference.

12.10.2 The External Auditor's report together with the annual audited financial statements of the second year of the biennium shall be transmitted to the Executive Board acting under the authority of the General Conference. In this case, the Executive Board may decide to bring to the attention of the General Conference such matters as it deems necessary in relation to the External Auditor's report and the annual audited financial statements.

12.11 The External Auditor shall audit the accounts of such funds as the Director-General may exceptionally deem necessary.

#### Article 13 - Resolutions involving expenditure

13.1 No committee, commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Director-General on the administrative and financial implications of the proposal.

13.2 Where, in the opinion of the Director-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Conference has made the necessary appropriations.

#### Article 14 - General provisions

14.1 These Regulations shall be effective as from 1 January in the year following their adoption by the General Conference, and may be amended only by the General Conference.

14.2 In case of doubt as to the interpretation and application of any of the foregoing Regulations, the Director-General is authorized to rule thereon.

14.3 No Article or Articles of the present Regulations may be suspended except by decision of the General Conference, taken by a two-thirds majority of the Members present and voting. The duration of such suspension shall be specified by the General Conference.

#### Article 15 - Special provisions

15.1 In the preparation of the budget the Director-General shall consult with the Secretary-General of the United Nations in accordance with Article XVI, Section 3 (a), of the Agreement between the United Nations and UNESCO.

15.2 Rules made by the Director-General to carry out the provisions of these Regulations shall be communicated to the Executive Board for approval.

#### Article 16 - Definitions

16.1 For the purposes of the Financial Regulations and Rules of UNESCO, the following definitions of specific terms used shall apply. These terms are listed in alphabetical order.

Allotment shall mean a financial authorization to enter into commitments and incur expenses for specific purposes, within specified limits and during a specified period for all sources of funds.

Appropriations shall mean the aggregate amount approved by the General Conference for the regular budget for each financial period, against which commitments and expenses may be incurred for the

purposes and up to the amounts so approved, or transfers may be made to special accounts if and as approved by the General Conference.

Budget line shall mean a subdivision of the Integrated Budget Framework for which specific amount(s) are shown.

Commitment shall mean an obligation/engagement arising from a contract agreement or other form of undertaking.

Modified cash basis for budgetary reporting is a method that, while primarily based on cash, contains certain non-cash items (for example, unliquidated obligations at the end of the financial period).

UNORE shall mean the United Nations operational rate of exchange.

Working Capital Fund shall mean a Fund established to finance temporary cash deficits under the regular budget as a result of delays in receipt of assessed contributions, or for other purposes and within the terms and conditions prescribed by the General Conference.

Annex : Additional Terms of Reference Governing the Audit

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1 See 6 C/Resolutions, pp. 53-4, 59, 67-72; 7 C/Resolutions, pp. 89, 116-19; 8 C/Resolutions, p. 18; 10 C/Resolutions, pp. 62-3; 12 C/Resolutions, pp. 95-6; 14 C/Resolutions, p. 108; 16 C/Resolutions, p. 100; 17 C/Resolutions, p. 124; 19 C/ Resolutions, p. 99; 22 C/Resolutions, pp. 117-18; 23 C/Resolutions, pp. 119-20; 24 C/Resolutions, pp. 176-77, 183-84; 25 C/Resolutions, pp. 206-7; 26 C/Resolutions, p. 152; 28 C/Resolutions, pp. 123, 133-34; 30 C/Resolutions, p. 97; 31 C/Resolutions, p. 92; 35 C/Resolutions, p. 85; 38 C/Resolutions, p. 69; 42 C/Resolutions, p. 59.

2 Regulation 12.1 will go into effect after the end of the term of the External Auditor taking up duties for the period 2024 to 2029, meaning that one reappointment is legally possible for the External Auditor starting his/her mandate in 2024.