

**STANDING
COMMITTEE**

213 SC 05 E
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NATO Parliamentary Assembly

**NATURE AND LEVELS OF
RESERVES AND PROVISIONS**

Reserves and Provisions

1. The auditors have observed that there does not appear to be a continuing need for each of the presently established reserve accounts, and that the nature and the level of reserves and provisions should be re-assessed by the Treasurer and the Secretary General of the Assembly.
2. The Treasurer and the Secretary General concur with the audit opinion and this document presents their proposal for restructuring the reserve accounts.
3. Two reserves - the Emergency Reserve and the Unemployment Fund – should remain in their present form. The Emergency Reserve is mandated by the Assembly's Financial Regulations¹ and is intended to provide a reserve in the event that the Assembly has to deal with a severe difficulty such as the failure of a large contributing nation to pay its contribution or other unforeseen circumstances. The Unemployment fund also should remain as a separate reserve because it is mandated by Belgian law.
4. It is proposed that the other eight provisions should be grouped according to the four budget chapters. Thus, the existing three provisions currently set aside for specific purposes under Chapter 1 (Personnel) and the three set aside under Chapter 2 (Operating Costs) should be grouped into one provision for each of those Chapters. Both Chapter 3 (Sessions) and Chapter 4 (Missions, Seminars, and External Relations) each have one provision allocated to a specific budget Article: each of these would be re-designated as a provision for the relevant Chapter. The current and proposed allocations are shown in the table below.
5. This restructuring will make the use of provisions more flexible, but it should be stressed that this proposal has no effect on the rules and procedures governing the use of the provisions. These are explained in the appendix.

CURRENT AND PROPOSED STRUCTURE OF PROVISIONS

	Current	Proposed
Chapter 1 Personnel Provision		76.436,87
- Social Fund	37.447,69	
- Legal advice and litigation	23.424,87	
- Recruitment expenses	15.564,31	
Chapter 2 Operating Provision		102.201,95
- Renewal Car	14.667,87	
- Computer equipment	39.665,70	
- Alterations of headquarters	47.868,38	
Chapter 3 Session Provision		35.215,00
- Transatlantic provision		
Chapter 4 Meetings & Seminars Provision		218.060,55
- Rose Roth provision		
	Subtotal	431.914,37
Emergency Fund		667.849,64
Unemployment Fund		16.463,30
	Total	1.116.227,31

¹ Extracts from the Financial Regulations appear in the appendix to this document

6. If the Standing Committee agrees, this new designation of the provisions will be introduced as from 2006. At the meeting of the Standing Committee in March, the Treasurer will, as usual, present his proposals for reallocating the previous year's surplus and will, if necessary, make recommendations for adjusting the provisions according to the new headings.

Extracts from the Financial Regulations [245 GEN 04 E]

The financial rules explain the use of reserves and provisions as follows:

Article 13

The Assembly shall establish Reserves in order to meet obligations mandated either by the Financial Regulations under Article 14 or applicable Belgian law, and Provisions to provide funding for foreseen expenditures additional to normal budgetary articles.

Article 14

Reserves shall include an "Emergency Reserve" to enable the Assembly to continue to function in the event that an unforeseeable and exceptional funding shortfall occurs such as a national contribution not being received. The Emergency Reserve shall amount to between 20% and 25% of the total national contributions to the budget of the current financial year.

Article 15

The Emergency Reserve shall only be used with the authorisation of the President and the Treasurer. The Treasurer shall inform the Standing Committee of any use of the Emergency Reserve.

Article 16

Provisions shall be established to facilitate multi-year planning for contingencies that do not occur annually and which are expected to result in expenses above those foreseen in the annual budget. Such Provisions shall be established on the recommendation of the Treasurer to fund contingencies which are expected to exceed 25% of the amount allocated to the relevant article in the budget. Expenditure made from such Provisions shall be recorded in the Financial Statements.

Article 17

The purposes and levels of Reserves and Provisions shall be re-assessed by the Treasurer and the Secretary General. The Treasurer shall present these for approval by the Standing Committee at its first meeting of the year.

Extracts from the implementing rules and procedures for financial transactions and budget execution:

D. Release of Reserves and Provisions

Release of the Assembly's Reserves and Provisions shall take place with the written approval of the Secretary General who shall specify the amount to be released from the Reserves and Provisions and the budget article to which it should be added.

The funds thus added to a budget article will be subject to the normal procedures for budget execution. The Financial Statements shall clearly indicate all transfers from Reserves and Provisions and the budget articles to which they are added.
