



**REQUEST FOR USE OF FUNDS FROM THE GOVERNING COUNCIL SPECIAL FUND:
C. TEMPORARY INCREASE IN THE LEVEL OF THE WORKING CAPITAL FUND**

1. The establishment of the IARC Working Capital Fund (WCF) was authorized via Resolution GC/1/R9 in September 1965 with the objective of ensuring the sound financial position of the Agency. In particular, authority was given to advance funds from the WCF to finance the annual appropriations pending receipt of contributions from the Participating States.
2. The WCF was originally financed by appropriating the sum of US\$ 50 000 from the contribution of each Participating State. The Governing Council decided subsequently, in October 1968 via Resolution GC/5/R14, that the same amount of US\$ 50 000 should be paid into the WCF from the first contribution of each new Participating State. IARC Financial Regulation 5.2 now provides the principal authority with regard to funding the WCF.
3. The amount of the contribution to the WCF by each Participating State has remained unchanged at US\$ 50 000 since its inception in 1965 and the level of the WCF has been increased by this amount with the arrival of each new Participating State. In addition, the Governing Council made two other injections of capital into the WCF to ensure smooth implementation of regular budget funded activities: one in May 2001 for US\$ 500 000 (Resolution GC/42/R7) and a second in May 2007 for US\$ 2 900 000 (Resolution GC/49/R10). Both increases of the WCF were financed from the Governing Council Special Fund (GCSF).
4. The authorized level of the WCF as at 31 December 2009 was US\$ 4 600 000. With the change in the Agency's functional currency from US\$ to Euro (€) effective as from 1 January 2010, the authorized WCF balance was converted to €3 187 800, using the UN exchange rate applicable in January 2010 (Resolution GC/48/R6). The WCF balance is normally considered sufficient to deal with situations where one, two or even three assessed annual contributions are not paid during the current year, but funds are received and returned to the WCF the following year.

5. The Agency is now facing an exceptional situation as the assessed contributions for 2009, 2010 and 2011 have not yet been received from Spain despite extensive follow up made by the Secretariat with this Participating State. If the assessed contributions from Spain are not received by the end of 2011, the status of the WCF would be as follows:

Authorized balance of the WCF:	€3 187 800
Less 2009 assessed contribution from Spain:	(€754 534)
Less 2010 assessed contribution from Spain:	(€850 376)
Less 2011 assessed contribution from Spain:	(€859 341)
Available remaining balance of WCF:	<u>€723 549</u>

6. This remaining balance would not be sufficient to temporarily finance a single 2011 assessed contribution from another Participating State should the need arise (except for countries with "0" unit assigned in the method of assessment (see Resolution GC/15/R9 for details)). Therefore, the Agency faces a significant risk of shortage in the WCF by the end of 2011.

7. At the end of 2010, the Agency had to use already the full balance of the WCF and, as an exceptional measure, an additional amount of €106 000 from the GCSF to temporarily finance the delay in the receipt of assessed contributions from Spain, USA and India. The assessed contributions from the latter two Participating States were received in early 2011 and the funds were returned to the WCF and GCSF respectively; please refer to the Unaudited Interim Financial Report for the year 2010 (document GC/53/6) for detailed information.

8. To manage the risk deriving from the delay in the receipt of the assessed contributions from Spain, the Secretariat proposes a temporary increase in the WCF by €1.6 million. This temporary increase would be financed from the GCSF, and returned to the GCSF as soon as Spain has paid its outstanding assessed contributions. The only alternative would be to decrease the activities of the Agency during 2011, which is not recommended by the Secretariat as it would seriously hamper IARC's scientific programme.

9. It is of the utmost importance to avoid such situations as described above, which may seriously jeopardize the Agency's activities in an already difficult financial climate. To this end, the Secretariat would like to draw the attention of Participating States to Article VIII, paragraph 2 of the IARC Statute whereby annual contributions are "due on 1 January of each year and must be paid not later than 31 December of that year".

10. The Governing Council is requested to authorize the Director to transfer €1 600 000 from the Governing Council Special Fund to the Working Capital Fund; this authority being dependant upon there being sufficient cash balances available in the Fund. This amount will be gradually reimbursed to the GCSF upon receipt of each of the outstanding contributions from Spain for 2009–2011.