

WORLD TRADE ORGANIZATION

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REPORT OF THE JOINT WTO/GATT COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

INTRODUCTION

1. The WTO Committee on Budget, Finance and Administration and the CATT 1947 Committee on Budget, Finance and Administration, hereafter referred to jointly as the Committee, met on 29 May and 29 June 1995.
2. The Committee was chaired by Mr. J.-M. Metzger of France. The terms of reference and composition of the Committee are set out in documents L/5964/Rev.9 of 20 March 1995 and WT/L/44 of 23 February 1994.
3. The Agenda for the meeting of 29 May 1995 contained in document WTO/AIR/86-GATT/AIR/3686 was adopted, as was the Agenda for the meeting of 29 June 1995 contained in document WTO/AIR/112-GATT/AIR/3691.

ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS

CASH SITUATION AND STATEMENT OF OUTSTANDING CONTRIBUTIONS

AS AT 30 APRIL 1995 AND AT 31 MAY 1995

CRP(95)16 & WT/BFA/CONT/4

CRP(95)21 & WT/BFA/CONT/5

INSTALMENT PAYMENTS FOR COUNTRIES IN ARREARS (CONTRIBUTIONS FROM 1987 AND EARLIER YEARS) - PROGRESS REPORT AS AT 30 APRIL 1995 AND 31 MAY 1995

CRP(95)17, CRP(95)22

CONTRIBUTION OF OBSERVER COUNTRIES TOWARDS THE COST SERVICES PROVIDED BY THE SECRETARIAT - PROGRESS REPORT

AS AT 30 APRIL 1995 AND 31 MAY 1995

CRP(95)18, CRP(95)23

4. The Secretariat prepared up-dates and progress reports as at 30 April 1995 and 31 May 1995 respectively on the cash situation, the statement of outstanding contributions, on the payment of arrears by the thirty-two contracting parties assessed at the minimum and the six contracting parties assessed above the minimum in 1988, and on the contributions of observer countries toward the cost of services provided by the Secretariat. A member of the Secretariat introduced and explained each of the documents.
5. The Committee took note of the reports.

ADDITIONAL POSTS FOR 1996
CRP(95)19 & Corr.1, CRP(95)20

6. A member of the Secretariat introduced document CRP(95)19 concerning staffing requirements for 1996. He recalled that the proposals presented in June 1994 concerned the three years from 1994 - 1995. The proposals put forward in March 1995 related to 1995 and 1996, while the current proposals were only for 1996. He indicated that the proposals had been reduced substantially after a thorough re-examination in all areas of the WTO.

7. Members of the Committee raised questions regarding specific divisions, particularly Accessions, Legal Affairs, Trade Policy Review, and Statistics and Information Systems Divisions.

8. With regard to General Service staff, many Members of the Committee were of the opinion that the requests were too high and it was thought that there should be an eventual reduction in the ratio of General Service to Professional staff.

9. The Committee adopted a global approach which would allow the Secretariat to define its needs within an overall financial envelope while, at the same time, taking into account the priorities and guidelines set out by the Committee. Consequently, the Committee recommended that the General Council

- a. stress that, while account should be taken of the new subjects arising from the Uruguay Round negotiations, the areas of the WTO's activities to be given priority in the recruiting of staff for 1996, as decided by the members, are:
 - the Organization's legal activities
 - accessions
 - technical assistance
 - translation, document processing, and statistics and the information system
- b. request the Secretariat consistently to observe the following guidelines in recruiting staff:
 - to identify those appointments which correspond to a fixed-term task;
 - to make use of the entire salary scale, in particular by hiring young graduates at the lower levels of the Professional category;
 - to improve the current General Service/Professional ratio, particularly as regards secretarial staff;
 - to seek a general balance in the composition of the Secretariat; and
 - to rationalize the structure of the Secretariat in order to eliminate overlapping or duplication of tasks between Divisions.
- c. authorize recruitment of staff for 1996 within the limit of a budgetary appropriation of 500,000 Swiss francs for 1995 (pre-recruitment costs) and 7,800,000 Swiss francs for 1996; within these limits, the Secretariat will define how its needs will be met in the light both of the priorities and guidelines set by the General Council and of its proposal (CRP/95/19 and Corr.1) which constitutes the upper limit with regard to posts and distribution between Divisions and staff categories. The funds needed for 1995 will come from:

- i. first, any balance from the credit of 300,000¹ Swiss francs earmarked in the 1995 budget for unforeseen expenditure;
- ii. secondly, any overall budgetary savings from the regular budget of 1995;
- iii. thirdly, any excess of miscellaneous income over revised estimates of miscellaneous income for 1995;
- iv. by withdrawal from the Working Capital Fund, in accordance with paragraph (iii)(b) of the Fund's rules, in order to cover the balance of these additional costs.

The funds required for 1996 will be placed on the regular budget for this year.

- d. request the Secretariat to report on the implementation of this decision to the Committee on Budget and the General Council, and particularly on compliance with the priorities and guidelines, at the latest when the 1996 budget is established, *inter alia* by submitting a table of staff by grade indicating new appointees and identifying, for all staff, temporary tasks, their duration and the dates of the appointments made to carry them out.
- e. consider that the appointments proposed for 1996 constitute the third stage of the adjustment of the WTO Secretariat to take account of the results of the Uruguay Round and the creation of the new organization, the first two stages having led to the consolidation of 45 temporary posts and the creation of 21 new posts, that, consequently, once the new appointments for 1996 have been made there should be a pause in recruitment, and that the situation will not be reviewed until after the Singapore Ministerial Conference due in December 1996.

RELATIONSHIP WITH THE UNITED NATIONS WITH REGARD TO THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT

10. Further to the mandate received from the Committee (WT/BFA/3, L/7628, paragraph 26), a member of the Secretariat indicated that the initial reception of the proposal by the United Nations Secretariat had been positive. The accounts would continue to be kept by the United Nations in Geneva, but in Swiss francs rather than in US dollars. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) would review the ITC budget in the light of the GATT/WTO budget examination. Any questions arising with regard to the transition in budgetary practices and examination could be the subject of consultations between the Chairmen of the GATT/WTO Budget Committee and the ACABQ. A meeting in the near future would be arranged between these two Chairmen in order to further explore the question.

¹Credit for unforeseen expenditure has already been partly used for the salary and additional costs of the new post of Deputy Director-General and the additional temporary assistance requirements for translation and word-processing (WT/BFA/4 - L/7629 paragraphs 9 and 13).

**DIRECTOR GENERAL'S FINANCIAL REPORT ON THE 1994 ACCOUNTS
OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND
REPORT OF THE EXTERNAL AUDITOR THEREON**
(L/7630)

11. A member of the Secretariat introduced the Director-General's Financial Report on the 1994 Accounts of the GATT and Report of the External Auditor Thereon (L/7630). He explained that the report was based on the Final Position of the 1994 Budget of the GATT (L/7627) which presented the budgetary situation at 31 December 1994 and which was approved by the General Council on 31 May 1995 (WT/CG/M/4) on a recommendation of the Budget Committee on 3 May 1995 (WT/BFA/4, L/7629). He recalled that there were savings under the regular budget amounting to Sw F 638,000. With regard to the supplementary budget, against an authorization of Sw F 3,706,000, only Sw F 2,730,000 were expended, primarily as a result of delays in recruitment of new staff. Expenditure under the supplementary budget was financed in the following manner: (i) utilization of the credit of Sw F 100,000 for unforeseen expenditure, (ii) the positive balance of the Surplus Account of Sw F 556,000 at 31 December 1993, (iii) budgetary savings in 1994 amounting to Sw F 638,000, (iv) the surplus of miscellaneous income (Sw F 1,369,000) over that foreseen for 1994 and (v) a withdrawal of Sw F 67,000 from the Working Capital Fund. According to the rules governing the use of the Working Capital Fund, an amount corresponding to the withdrawal will be included in the 1996 budget. With regard to receipts, the provision for contributions in arrears increased by some Sw F 1,800,000 in the course of the year. On the other hand, there was a particularly large number of new contracting parties in 1994 which resulted in additional assessments of Sw F 1,050,000. The surplus of miscellaneous income over that foreseen for 1994 mentioned above was the result of four elements: (i) the sale of publications, (ii) reproduction work done for delegations, both of which were due largely to the end of the Uruguay Round, (iii) reimbursement of costs for staff shared with the High Commissioner for Refugees in the Centre William Rappard for the entire year rather than for six months as had been foreseen and (iv) and savings on prior year's outstanding obligations.

12. The Committee recommends that the General Council approve the audited accounts for 1994 and convey to the External Auditor their thanks for the valuable assistance provided in the audit of these accounts.

EXTERNAL AUDIT OF THE ACCOUNTS OF THE GATT/WTO
WT/SPEC/8

13. A member of the Secretariat introduced document WT/SPEC/8 and recalled that since 1986, a team of four auditors from the Austrian Court of Audit come twice a year to Geneva to undertake the audit of the GATT/WTO accounts. In addition, financial documents are sent to the auditors in Vienna on a regular basis.

14. Fully appreciating the work undertaken by the current team of auditors, the Committee nevertheless thought that the move from the GATT to the WTO provided an opportunity to re-examine the question. The Committee thus recommends that a call for competitive tenders for the external audit of the accounts of the World Trade Organization be made in the near future so that the WTO external auditor may be named as soon as possible and take up his functions as from 1 January 1996.

15. The Committee then requested the Secretariat to prepare a draft call for bids for the external audit of the accounts of the WTO for examination at its next meeting.

**FINANCIAL IMPLICATIONS OF DECISIONS TAKEN BY
GATT/WTO BODIES / CLEARANCE BY THE COMMITTEE
ON BUDGET, FINANCE AND ADMINISTRATION**
CRP(95)27

16. The Committee noted that, in the past, GATT/WTO bodies had asked the Secretariat to undertake new tasks which had financial consequences and the Budget Committee found itself before a *fait accompli*. In order to avoid such situations from arising in the future, the Committee examined document CRP(95)27 which requested that it be informed beforehand of any new activities having financial implications. The Committee would then inform the General Council of the estimated cost that such a new activity would entail for the first start-up year and the following on-going years. On this basis, the General Council would then take a final decision. This procedure would be included in the Financial Rules and Regulations for the WTO which would be examined by the Committee in the autumn.

17. A number of Committee members raised the point that the proposed recommendation would not call into question any of the points agreed upon in the context of the Uruguay Round agreements. Some members thought that, in addition to looking at the financial implications of any new activity, the process should include an examination of possible sources of compensating savings. If such savings were not possible, a reason would have to be stated to that effect.

18. The Committee recommends that, when considering any decision which may have financial implications for the WTO, WTO Bodies shall, before a decision is taken, so inform the Chairman of the Committee on Budget, Finance and Administration, identifying, in so far as possible, areas in their sphere of competence where compensatory savings could be achieved. The Committee will then examine the financial implications and proposed funding, including the identification of existing WTO activities where savings could be achieved, for the first start-up year and for the following on-going year(s) and forward such information to the General Council. With full knowledge of the financial implications and proposed funding, the General Council will then take a final decision.

The Committee further recommends that the Chairman of the General Council so inform the chairpersons of all WTO Bodies.

**ESTABLISHMENT OF A WTO STANDARDS INFORMATION SERVICE OPERATED
BY THE INTERNATIONAL ORGANIZATION FOR STANDARDS (ISO)**
CRP(95)28

19. The Committee noted that in a Ministerial Decision adopted by the Trade Negotiations Committee on 15 December 1993, it was decided that the Secretariat of the WTO would reach an understanding with the International Organization for Standards (ISO) to establish an information system to which the notifications by standardizing bodies accepting the Code of Good Practice for the Preparation, Adoption and Application of Standards would be forwarded. Following an exchange of letters between the Director-General of the WTO and the Secretary-General of the ISO Central Secretariat, a Memorandum of Understanding was reached between the two organizations to establish a WTO Standards Information Service operated by the ISO.

20. The Director of the Division concerned explained that it had been intended that the notification system would be financed by selling to the WTO the publications prepared by ISO, in effect on a cost-recovery basis. The Memorandum of Understanding mentions that the publication of information on standardizing bodies that have accepted or withdrawn from the Code of good practice and on the work programmes of standardizing bodies would be available to ISONET members and through the WTO Secretariat to WTO Members, and that a reasonable fee would be charged for it. Given that the system is in its very early stages, there were a number of uncertainties including the real costs of the system, how the information will be passed on to the WTO, and the number of staff needed once the system is fully functional.

21. After discussion, the Committee requested the Secretariat to contact ISO with a view to clarify the matter of costs, including the "reasonable fees" mentioned in the Memorandum of Understanding, and to report back on the result of the discussions.

PROGRESS REPORT ON PENSION STUDY **CRP(95)26**

22. A member of the Secretariat introduced document CRP(95)26 and noted that a certain amount of progress had been made since the matter had last been examined in the Budget Committee. The ICITO Staff Pension Committee had discussed the question and requested that the possible withdrawal of ICITO from the United Nations Joint Staff Pension Fund (UNJSPF) be placed on the agenda of the Standing Committee of the UNJSPF at its meeting from 10 to 14 July 1995. He said that the UNJSPF Committee of Actuaries had expressed no objection to the use of the 1990 valuation for a preliminary calculation but had emphasized that should withdrawal from the UNJSPF be requested, the calculation should be based on the 1995 valuation. In addition, the Secretary of the UNJSPF was of the opinion that the United Nations General Assembly would have to take a decision on withdrawal before the Board made a determination of the share that could be returned to the Organization upon withdrawal. The Secretary also said that he would have difficulty with an approach based on Article 13 of the UNJSPF Regulations, as envisaged in the terms of reference, since that article was designed to cover only individual transfers.

23. With regard to the WTO consulting actuary, his preliminary calculations showed that ICITO might expect to recover approximately US\$ 75 million from the UNJSPF based on the 1993 actuarial valuation. He had also undertaken some preliminary work on a possible design of a WTO Pension Plan, for which he had taken the essential features of the World Bank Staff Retirement Plan and had concluded that it would be feasible to fund such a plan using the present contribution rate applicable under the UNJSPF. It was stressed that, at the present stage, these figures were strictly tentative.

24. In response to questions of members of the Committee, the Secretariat replied that the amount of US\$ 75 million was based upon application of Article 16 of the Regulations of the Fund. He also said that the study of the actuary was based on existing salaries but using net salary plus post adjustment grossed-up as opposed to the present pensionable remuneration. He added that the consulting actuary was aware of the conditions set forth in the terms of reference including taking other options into consideration. A member of the Committee indicated that his authorities would eventually need very detailed information in order to examine the question.

25. The Committee agreed to return to this question at its next meeting.

**NEW BASIS FOR THE ASSESSMENT OF CONTRIBUTIONS
TO THE BUDGET OF THE GATT/WTO**

26. The Chairman of the Working Group on Assessments reported that the group had met and given further consideration to the question of the basis for the calculation of the assessment of contributions to the WTO. He recalled that the principle that the assessment of contributions to the WTO should reflect trade in goods, services and intellectual property had been approved by the Sub-Committee on Budget, Finance and Administration of the WTO Preparatory Committee in 1994.² In this context, there had been some outstanding questions relating, *inter alia*, to the components of trade in services which should be included in the calculations.

27. The Working Group accepted that, in order to be coherent and to avoid double counting, the new system for both goods, services and intellectual property rights should be based on only one method of reporting.

28. With regard to trade in goods, the Group discussed two elements: (i) the question of gold held as a store of value (or non-industrial, non-monetary gold) and (ii) the question of re-exportations. Concerning gold held as a store of value, it was agreed that this element, may be considered as a capital transaction rather than trade in goods, and that it should therefore not be taken into consideration in the calculation. It was confirmed that it would be possible to do this for those countries which report this element separately to the International Monetary Fund (IMF).

29. The present method used for the assessment of contributions is based on trade statistics on a customs basis, which is reported by countries in one of two ways: *special* trade or *general* trade, the difference being essentially that re-exportations are included in *general* trade while they are not in *special* trade. This problem, which has existed since the beginning of the GATT, will be partly resolved, as in the BOP context, all countries which report data according to the *special* trade system should, in principle, adjust their BOP trade figures to be in line with the *general* trade system. In practice, however, not all countries provide for such adjustments.

30. The Working Group had been reminded that the WTO definition of "commercial services" for the next release of the International Trade Report (1995) had been changed and no longer included the element of "labour income." The revised definition consists of the following components defined in the Fifth Edition of the IMF Balance of Payments Manual: transport, travel, royalties and licence fees, and other services (excluding government services). It was confirmed that the statistics to be used with regard to services would not prejudice the interpretation of the scope of application of the GATS agreement.

²In 1994, the Preparatory Committee for the World Trade Organization agreed (PC/BFA/M1, Annex II) that:

- a. in principle, the assessment of contributions to the WTO budget should reflect shares in international trade in goods, services and intellectual property. However,
- b. further study of the data available for calculating assessments to the WTO budget to reflect trade in services and trade in intellectual property rights, including the components thereof, is required. Therefore,
- c. the calculation of assessments for the 1995 budget of the WTO should follow existing GATT practice. In the meantime,
- d. the basis for assessing contributions, incorporating the principle in (1) above, would continue to be examined and reviewed by the Sub-Committee on Budget, Finance and Administration of the WTO Preparatory Committee and subsequently by the WTO Committee on Budget, Finance and Administration so that changes would be introduced to reflect the above principle not later than one year after the creation of the WTO, i.e. in the assessment of contributions to the 1996 budget of the WTO; and
- e. a full review of the functioning of the new system would be undertaken by the WTO Committee on Budget, Finance and Administration three years after its introduction."

31. The Working Group noted that the statistics concerning intellectual property were limited to royalties and licence fees. While these were not exhaustive, it was recognized that these were the only ones available at present and should then form part of the statistics used in the new system.

32. The Working Group also examined a simulation assessment exercise based on the new system. In the simulation, those Contracting Parties/Members for which sources other than International Monetary Fund figures were used, were indicated with an asterisk.

33. The Committee recommends that, as from the budget for 1996,

- a. the share to be contributed by each Contracting Party/Member to the annual operating budget of the GATT/WTO shall be established on the basis of that country's (or separate customs territory's) international trade (imports plus exports) in relation to the total international trade of all GATT Contracting Parties/WTO Members;
- b. the figures used shall be those for the last three years for which data are available;
- c. the statistics used shall relate to trade in goods,³ services and intellectual property rights as reported in Balance of Payments statistics from the International Monetary Fund (IMF); with regard to services, the statistics shall relate to the definition of commercial services as applied in the WTO;
- d. where IMF data deviate from IMF guidelines⁴ and include transactions not related to goods, services or intellectual property rights, adjustments provided to the WTO by the Central Bank or the National Statistical Office of a Contracting Party/Member shall be taken into account by the Secretariat when adequately documented and justified;
- e. if IMF data are not available, the WTO Secretariat will use estimates based on the best other available sources;
- f. a minimum contribution of 0.03 per cent will be applied to those contracting parties/members whose share in the total international trade of all GATT Contracting Parties/WTO Members is less than 0.03 per cent.

The Committee further recommends that a full review of the functioning of the new system shall be undertaken by the WTO Committee on Budget, Finance and Administration three years after its introduction.

³ excluding gold held as a store of value (deposit money banks)

⁴ Balance of Payments Manual, Fifth Edition, International Monetary Fund

TRANSITION FROM THE ICITO TO THE WTO

34. The Chairman drew the Committee's attention to the question of the transition from the ICITO to the WTO. He noted that the Committee had begun its work with regard to the definition of conditions of service for the personnel of the Secretariat of the WTO, but that this work had not been able to be completed before the "target" date of 30 June 1995, as had been foreseen by the Preparatory Committee in December 1994. He suggested that the date should be extended to 31 December 1995 by which time it would be absolutely necessary to complete work on the outstanding questions in view of the foreseen termination of the GATT at that date.

35. The Committee took note of the Chairman's statement.

INTERNATIONAL TRADE CENTRE UNCTAD/GATT

FIRST PERFORMANCE REPORT ON THE REGULAR PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

ITC/BUD/17

36. The Committee examined document ITC/BUD/17 and heard an introduction by the Executive Director of the International Trade Centre UNCTAD/GATT (ITC). He explained that the primary purpose of the report was to identify adjustments required owing to variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations. The adjustment for the rate of exchange went from US\$1/Sw F 1.44 to US\$1/Sw F 1.37 in 1994 and to US\$1/Sw F 1.28 in 1995; the rate for inflation with regard to General Service staff salaries moved from 3.2 per cent initially to 4.7 per cent in 1994 and 1.5 per cent in 1995. The overall effect was that the budget for the ITC for the 1994-1995 biennium had increased by US\$ 2.3 million, an amount which would be able to be accommodated within the funds available under the budget of the GATT/WTO barring drastic unforeseen fluctuations in exchange rates.

37. The Committee took note of the report.

POINTS FOR APPROVAL: Paragraph 9
Paragraph 12
Paragraph 14
Paragraph 18
Paragraph 33