

# WORLD TRADE ORGANIZATION

RESTRICTED

WT/BFA/13

L/7649

3 November 1995

Limited Distribution

(95-3426)

---

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

### INTRODUCTION

1. The Committee on Budget, Finance and Administration met at the Centre William Rappard, Geneva, on 28 September, 6, 9, and 13 October, and 2 November 1995 in formal meetings and on 31 October 1995 in an informal meeting.
2. The Committee was chaired by Mr. J-M. Metzger of France. Attention was drawn to documents WT/L/44 and L/5964/Rev.9 of 23 February and 20 March 1995 respectively setting out the terms of reference and the membership of the Committee.
3. Documents WTO/AIR/145-GATT/AIR/3696, WTO/AIR/169-GATT/AIR/3698, and WTO/AIR/178-GATT/AIR/3701 setting out the Agenda for the Committee were adopted.

### A. WTO/GATT SECRETARIAT

#### I. BUDGET ESTIMATES FOR 1996 (WT/BFA/10, L/7640)

4. The Secretariat presented the budget estimates for 1996 (WT/BFA/10, L/7640) amounting to Sw F 121,552,703 and explained that a considerable portion of the overall increase was the result of decisions already taken by the General Council in 1995, inflation and statutory increases/decreases. These elements, in addition to the proposed adjustment to salaries and pensions, represented 14.93 per cent of the total overall proposed increase of 15.33 per cent. Two Deputy Directors-General addressed the Committee and highlighted the position of the Director-General that, in view of the increases over which the Secretariat had no control, he had kept discretionary increases to the absolute minimum. The importance that the Director-General attached to the resolution of the question on salaries and pensions was also stressed.
5. Members of the Committee recalled that the most stringent budgetary constraints were being operated in almost all national administrations. Although they were aware of the new responsibilities and fields of activity, they were of the opinion that increases should be kept to the bare minimum and that savings should be sought wherever possible.

6. The Committee welcomed the dual presentation of the budget in the overall form and at the divisional level (functional budget). It was explained that the inclusion of a functional budget was a first attempt to identify costs at the divisional level which would assist Members to better assess the cost of the various activities of the Secretariat and improve efficiency by giving Directors more responsibility for financial decisions.

7. The examination of the proposal for adjustment to salaries and pensions focused upon the pension element, which had been under study for several months. Various meetings of the Committee as well as the Working Group on Personnel-Related Questions had examined the proposal to withdraw from the United Nations Joint Staff Pension Fund and to set up a WTO Pension Plan. A revised proposal for an alternative WTO plan, taking into account the views expressed in those meetings, was submitted by the Secretariat. In an effort to synthesize varying points of view and to accommodate Committee Members' concerns, the Chairman of the Committee presented on his own responsibility a draft resolution on the question. The Committee was, nevertheless, unable to reach a consensus on the issue and the Chairman indicated that he would, again on his own responsibility, discuss the issue with the Chairman of the General Council with a view to pursuing it in that body.

8. The Committee undertook a line-by-line examination of the proposed budget and heard explanations from members of the Secretariat. Additional explanatory papers were presented in the course of the discussions. A member expressed regret that the budget proposals did not reflect greater savings and productivity which might have been expected from more rigorous management. With regard to posts, a question was raised as to the inclusion in the staffing table of two senior-level posts which were vacant. A Member also questioned the fact that two of the new professional posts were not created in the divisions for which a request was originally presented. For the two senior-level posts, it was ultimately agreed that any utilization of these posts, which could be at a lower level, would be brought to the attention of the Committee. Nevertheless, a member expressed disappointment that the final budget provided for the financing of these two posts.

9. With regard to the additional posts for 1996, the Secretariat made available a Report of the Secretariat on the Implementation of the Decision on Additional Posts for 1996 (CRP(95)50). This report was in compliance with the recommendation of the Committee (WT/BFA/6, L/7633, paragraph 9d) which *inter alia* requested "the Secretariat to report on the implementation of (the) decision." The report describes the manner in which the priorities and guidelines laid down by the Committee on Budget, Finance and Administration and the General Council have been complied with.

10. Salary adjustments for the Professional staff have been decided in the Common System in 1995. Their implications for 1996 amounted to Sw F 834,000. This amount, included in the 1996 budget, would be financed from the 1995 Surplus Account or from the Working Capital Fund should no positive balance remain in that account. Another adjustment proposed by International Civil Service Commission (ICSC) for 1996 which would represent a cost of Sw F 742,000 was still under consideration by the UN General Assembly (UNGA). This amount would not be included in the 1996 budget but, should the UNGA decide to award this second adjustment, it would be financed from the Surplus Account, or if not possible, from the Working Capital Fund.

11. The Committee was informed in document CRP(95)52 that, subsequent to the presentation of the 1996 budget estimates, two situations had developed which required consideration in the context of the 1996 budget. One concerned the International Organization for Standards (ISO) for which an amount of Sw F 200,000 was proposed to set up the WTO Standards Information Service operated by ISO. The other element was related to the fact that completion of the renovation works in the South Wing of the Centre William Rappard would be delayed by some two to three months. This fact meant that the WTO offices at the Chemin des Mines would have to remain during that period. An amount of Sw F 140,000 was thus proposed to cover the rental and cleaning costs of these offices for

three months. The Committee was of the opinion that these additional needs for 1996 should be compensated by corresponding reductions from the original budget estimates.

12. After detailed discussions and informal consultations, the Committee agreed to recommend a budget for 1996 in the amount of Sw F 115,693,503. The revised estimates of expenditure for the financial year 1996 are contained in Schedule I.

13. The Committee was informed that upon termination of the transitional co-existence of the GATT 1947 and the WTO Agreement (CRP(95)53) on 31 December 1995, there would likely be some GATT Contracting Parties which would not be WTO Members and which consequently would not be assessed contributions to the 1996 budget of the WTO. At the time of budget finalization, there were 17 Contracting Parties which either were not WTO Members nor scheduled to so become on a specific date. The Committee took note of this situation and the procedures outlined in the above-mentioned document.

14. The Committee recommends to the General Council that (i) the decision adopted by the Preparatory Committee for the WTO and the CONTRACTING PARTIES (PC/8, L/7579) to the effect that "The Ministerial Conference shall take a decision under Article XII:2 of the WTO Agreement in respect of accession only if the financial obligations as an observer have been fully discharged" be applied, *mutatis mutandis*, to the contracting parties acceding to the WTO under Article XII:2 and (ii) advances to the Working Capital Fund made by contracting parties which have not become Members of the WTO by 1 January 1996 will, in the first instance, be used to offset any contributions which may be outstanding for the contracting parties concerned. Any balance will then be returned to the contracting party.

## **II. REVISED INCOME BUDGET ESTIMATES FOR 1996**

15.	The Committee agreed that the budget for 1996 be financed as follows:	
(a)	Contributions on Members	113,300,000
(b)	Miscellaneous income	1,559,503
(c)	Transfer from anticipated 1995 Surplus Account or from the Working Capital Fund should no positive balance remain in the Surplus Account	<u>834,000</u>
		<u>115,693,503</u>

### **CONCLUSION**

16. The Committee examined the 1996 budget estimates submitted by the Director-General and considered following points:

- (a) economies should be operated on the following specific budget sections:
  - (i) Section 7: Permanent Equipment - a 10 per cent reduction in the proposed amount for EDP equipment leading to a reduction of Sw F 100,000 and a revised credit of Sw F 3,194,500. The Committee was of the opinion that a rigorous tendering process could result in savings and still meet the WTO's requirements;
  - (ii) Section 11: Official Missions - a reduction of Sw F 86,000 leading to a revised credit of Sw F 944,000. The Committee admitted that the increase in this provision should be limited to the effect of inflation;
  - (iii) Section 14: Various: Public Information Activities - a reduction of Sw F 150,000 corresponding to the production of films (Sw F 90,000) which the Committee felt was inopportune and a 50 per cent reduction (Sw F 60,000) in the amount for creative design. The revised credit would then amount to Sw F 257,000;
- (b) the Director-General should identify further reductions amounting to Sw F 427,200;
- (c) following the practice of the Secretariat, transfers should not be operated with respect to credits relating to Missions or to Representation and Hospitality or between provisions for personnel costs and running costs; and
- (d) the Committee would be informed beforehand of any utilization of the credit associated with the two vacant senior-level posts (Sw F 354,400 according to the standard costing).

17. The Committee recalled its previous examination of the Management Review and stressed the need to organize policy discussions in the General Council aimed at establishing management by objectives, clearly identified and defined by Members, and the evaluation of performance against these objectives through reports by the Secretariat.

18. Taking into account the above considerations, the Committee submits to the General Council for consideration and approval the following draft resolution on the expenditure of the World Trade Organization and the ways and means to meet such expenditure.

**POINT FOR DECISION: Paragraph 14 and 18**

**DRAFT RESOLUTION ON THE REVISED EXPENDITURE OF THE  
WORLD TRADE ORGANIZATION IN 1996 AND THE WAYS AND MEANS  
TO MEET SUCH EXPENDITURE**

The General Council,

**HAVING CONSIDERED**

the estimates of expenditure of the World Trade Organization for 1996 amounting to Sw F 115,693,503 as set forth in the schedules annexed to this Resolution,

**RESOLVE that**

1. The financing of the amount of Sw F 115,693,503 referred to above shall be as follows:
  - (a) by contribution from Members in the amount of Sw F 113,300,000;
  - (b) by miscellaneous income estimated at Sw F 1,559,503; and
  - (c) by transfer of Sw F 834,000 from the anticipated 1995 Surplus Account or from the Working Capital Fund should no positive balance remain in the Surplus Account.
2. Should the Common System approve salary increases for the Professional and higher category staff which are currently under consideration in New York, the Director-General shall be authorized to finance such un-budgeted expenditure by having recourse (i) to any positive balance which may remain in the Surplus Account at the end of the financial year or (ii) by having recourse to the Working Capital Fund under the terms of paragraph (iii) (b) of the Rules Governing the Use of the Working Capital Fund.
3. The contributions of the Members shall be assessed in accordance with the attached scale of contributions. Contributions from Members in respect of the 1996 budget are considered as due and payable in full as at 1 January 1996.

# SCHEDULE I

## REVISED ESTIMATES OF EXPENDITURE OF THE FINANCIAL YEAR 1996 (in Swiss francs)

PART	SECTION	ORIGINAL ESTIMATES	INCREASES/ (DECREASES)	REVISED ESTIMATES
A. PROFESSIONAL	1) Work/years:			
	Salary	33,672,000	(742,000)	32,930,000
	Pensions	4,233,000		4,233,000
	Other Common staff costs	6,389,000		6,389,000
B. GENERAL SERVICE	2) Temporary Assistance	5,528,000	(56,000)	5,472,000
	3) Work/years:			
	Salary	21,933,000		21,933,000
	Pensions	4,711,000		4,711,000
C. ADMINISTRATIVE COSTS	Other Common staff costs	3,346,200		3,346,200
	4) Temporary Assistance	2,343,000	(20,000)	2,323,000
	5) Communications:			
	Telecommunications	838,000	(106,000)	732,000
	Postal Charges	801,000		801,000
	6) Building Facilities			
	Rental	0	128,000	128,000
	Utilities	1,358,000	(9,000)	1,349,000
	Maintenance and Insurance	561,000		861,000
	7) Permanent Equipment	3,294,500	(140,000)	3,154,500
D. OTHER COSTS	8) Expendable Equipment	1,154,000	(41,200)	1,112,800
	9) Contractual Services:			
	Reproduction	1,589,000		1,589,000
	Office Automation/Informatics	1,367,800		1,367,800
	Other	254,000		254,000
	10) Staff Overhead Costs:			
	Training	253,000		253,000
	Insurance	678,000	(15,000)	663,000
	UN and Other Bodies	510,200	(121,000)	389,200
	Miscellaneous	60,000	(7,000)	53,000
	11) Missions:			
	Official	1,030,000	(86,000)	944,000
	Technical Co-operation	741,000		741,000
	12) Trade Policy Training Courses	1,232,000		1,232,000
	13) Contribution to ITC	14,231,000		14,231,000
	14) Various:			
	Hospitality	258,000		258,000
	Dispute Settlement Panels	305,000		305,000
	Permanent Group of Experts	137,400		137,400
	Appellate Body Panels	1,020,000		1,020,000
	Library	481,800		481,800
	Publications	863,000		863,000
	Public Information Activities	407,000	(150,000)	257,000
	External Auditors	23,000		23,000
	Ministerial Meeting	100,000		100,000
	Other	48,000		48,000
	ISO		200,000	200,000
	15) Unforeseen Expenditure	300,000		300,000
	16) Reimbursement of 1994 withdrawal from the Working Capital Fund	67,803		67,803
	17) CWR South Wing	440,000		440,000
E. APPELLATE BODY	18) Appellate Body	0		0
F.	19) Adjustment to Salaries and Pensions	4,684,000	(4,694,000)	0
TOTAL		121,552,703	(5,859,200)	115,693,503

**SCHEDULE II****REVISED SCALE OF CONTRIBUTIONS FOR 1996<sup>1</sup>**

(Minimum contribution of 0.03%)

MEMBERS	1995	1996	INTEREST	1996 NET	
	CONTRIBUTION				CONTRIBUTION
	Sw F	%	Sw F	Sw F	Sw F
Antigua and Barbuda	31,320	0.03	33,990	-	33,990
Argentina	334,080	0.37	419,210	(319)	418,891
Australia	1,346,760	1.27	1,438,910	(13,066)	1,425,844
Austria	1,461,600	1.69	1,914,770	(12,571)	1,902,199
Bahrain	114,840	0.10	113,300	(59)	113,241
Bangladesh	93,960	0.08	90,640	(277)	90,363
Barbados	31,320	0.03	33,990	(125)	33,865
Belgium	3,455,640	3.02	3,421,660	(24,901)	3,396,759
Belize	31,320	0.03	33,990	(163)	33,827
Bolivia	31,320	0.03	33,990	-	33,990
Botswana	52,200	0.04	45,320	(39)	45,281
Brazil	929,160	0.81	917,730	(12)	917,718
Brunei Darussalam	52,200	0.05	56,650	(115)	56,535
Burkina Faso	31,320	0.03	33,990	-	33,990
Burundi	31,320	0.03	33,990	-	33,990
Canada	4,144,680	3.87	4,384,710	(39,782)	4,344,928
Central African Republic	31,320	0.03	33,990	-	33,990
Chile	302,760	0.30	339,900	-	339,900
Colombia	198,360	0.19	215,270	(1,348)	213,922
Costa Rica	62,640	0.06	67,980	-	67,980
Côte d' Ivoire	83,520	0.07	79,310	(579)	78,731
Cuba	167,040	0.11	124,630	(35)	124,595
Cyprus	62,640	0.07	79,310	(414)	78,896
Czech Republic	313,200	0.38	430,540	(2,426)	428,114
Denmark	1,106,640	1.11	1,257,630	(10,782)	1,246,848
Djibouti	31,320	0.03	33,990	-	33,990
Dominica	31,320	0.03	33,990	-	33,990
Dominican Republic	41,760	0.06	67,980	-	67,980
Egypt	177,480	0.29	328,570	(934)	327,636
El Salvador	31,320	0.03	33,990	(151)	33,839
European Communities	-	-	-	-	-
Finland	678,600	0.67	759,110	(5,432)	753,678
France	7,078,320	7.01	7,942,330	(57,126)	7,885,204
Gabon	41,760	0.05	56,650	-	56,650
Germany	11,985,120	10.79	12,225,070	(91,393)	12,133,677
Ghana	31,320	0.03	33,990	-	33,990
Greece	469,800	0.40	453,200	(2,227)	450,973
Guatemala	52,200	0.05	56,650	-	56,650
Guinea	31,320	0.03	33,990	-	33,990
Guinea-Bissau	31,320	0.03	33,990	-	33,990
Guyana	31,320	0.03	33,990	(307)	33,683

<sup>1</sup> Interest earned in 1994 under the Early Payment Encouragement Scheme (L/6384) and to be deducted from 1996 contribution.

MEMBERS	1995		1996	INTEREST EARNED	1996 NET
	CONTRIBUTION Sw F		CONTRIBUTION % Sw F		CONTRIBUTION Sw F
Honduras	31,320	0.03	33,990	-	33,990
Hong Kong	3,716,640	3.28	3,716,240	(31,306)	3,684,934
Hungary	323,640	0.30	339,900	(3,051)	336,849
Iceland	52,200	0.05	56,650	(498)	56,152
India	647,280	0.56	634,480	(3,005)	631,475
Indonesia	856,080	0.84	951,720	(7,877)	943,843
Ireland	730,800	0.66	747,780	(7,301)	740,479
Israel	522,000	0.57	645,810	(3,030)	642,780
Italy	5,564,520	5.37	6,084,210	(44,977)	6,039,233
Jamaica	41,760	0.05	56,650	(45)	56,605
Japan	8,988,840	8.56	9,698,480	(39,104)	9,659,376
Kenya	41,760	0.05	56,650	-	56,650
Korea, Republic of	2,484,720	2.36	2,673,880	(10,444)	2,663,436
Kuwait	187,920	0.25	283,250	(526)	282,724
Lesotho	31,320	0.03	33,990	-	33,990
Liechtenstein	31,320	0.03	33,990	-	33,990
Luxembourg	302,760	0.26	294,580	(2,840)	291,740
Macau	52,200	0.07	79,310	(431)	78,879
Madagascar	31,320	0.03	33,990	-	33,990
Malawi	31,320	0.03	33,990	-	33,990
Malaysia	1,273,680	1.06	1,200,980	(1,243)	1,199,737
Maldives	31,320	0.03	33,990	(202)	33,788
Mali	31,320	0.03	33,990	-	33,990
Malta	52,200	0.06	67,980	(493)	67,487
Mauritania	31,320	0.03	33,990	-	33,990
Mauritius	41,760	0.05	56,650	(348)	56,302
Mexico	1,148,400	1.28	1,450,240	(5,600)	1,444,696
Morocco	167,040	0.16	181,280	(1,522)	179,758
Mozambique	31,320	0.03	33,990	-	33,990
Myanmar, Union of	31,320	0.03	33,990	(249)	33,741
Namibia	41,760	0.03	33,990	-	33,990
Netherlands, Kingdom of the	4,113,360	3.75	4,248,750	(38,620)	4,210,130
New Zealand	292,320	0.28	317,240	(2,776)	314,464
Nicaragua	31,320	0.03	33,990	-	33,990
Nigeria	313,200	0.26	294,580	(24)	294,556
Norway	918,720	1.02	1,155,660	(8,751)	1,146,909
Pakistan	250,560	0.23	260,590	-	260,590
Paraguay	31,320	0.06	67,980	(148)	67,832
Peru	125,280	0.11	124,630	-	124,630
Philippines	396,720	0.37	419,210	(1,547)	417,663
Poland	480,240	0.44	498,520	(4,099)	494,421
Portugal	678,600	0.61	691,130	(1,888)	689,242
Romania	167,040	0.15	169,950	-	169,950
Saint Lucia	31,320	0.03	33,990	(186)	33,804
St. Vincent & the Grenadines	31,320	0.03	33,990	-	33,990
Senegal	31,320	0.03	33,990	-	33,990
Sierra Leone	31,320	0.03	33,990	-	33,990
Singapore	1,440,720	1.92	2,175,360	(9,301)	2,166,059
Slovak Republic	135,720	0.19	215,270	(1,329)	213,941
Slovenia	146,160	0.18	203,940	-	203,940
South Africa	542,880	0.58	657,140	(5,230)	651,910



MEMBERS	1995	1996		INTEREST	1996 NET
	CONTRIBUTION	CONTRIBUTION	CONTRIBUTION	EARNED	CONTRIBUTION
	Sw F	%	Sw F	Sw F	Sw F
Spain	2,401,200	2.43	2,753,190	(16,295)	2,736,895
Sri Lanka	93,980	0.08	90,640	(521)	90,119
Suriname	31,320	0.03	33,990	-	33,990
Swaziland	31,320	0.03	33,990	(47)	33,943
Sweden	1,576,440	1.55	1,756,150	(16,613)	1,739,537
Switzerland	1,879,200	1.82	2,062,060	(19,200)	2,042,860
Tanzania	31,320	0.03	33,990	(133)	33,857
Thailand	1,148,400	1.03	1,166,990	(9,276)	1,157,714
Togo	31,320	0.03	33,990	-	33,990
Trinidad and Tobago	52,200	0.04	45,320	-	45,320
Tunisia	156,600	0.14	158,620	-	158,620
Turkey	553,320	0.60	679,800	(2,658)	677,142
Uganda	31,320	0.03	33,990	-	33,990
United Kingdom of Great Britain & Northern Ireland	6,190,920	5.98	6,775,340	(63,506)	6,711,834
United States of America	15,586,920	15.87	17,980,710	(13,919)	17,966,791
Uruguay	52,200	0.06	67,980	-	67,980
Venezuela	407,160	0.37	419,210	-	419,210
Zambia	31,320	0.03	33,990	-	33,990
Zimbabwe	52,200	0.05	56,650	(313)	56,337
<b>TOTAL</b>	<b>103,324,680</b>	<b>100.00</b>	<b>113,300,000</b>	<b>(644,999)</b>	<b>112,655,001</b>

**SCHEDULE III**

<b>REVISED ESTIMATES OF MISCELLANEOUS INCOME FOR 1996</b>	
<b>(in Swiss francs)</b>	
<b>Sale of publications</b>	<b>720,000</b>
<b>Profit or (loss) on exchange</b>	<b>60,000</b>
<b>Savings on previous year's outstanding obligations</b>	<b>66,000</b>
<b>Overhead on Trust Funds</b>	<b>25,800</b>
<b>Rental of meeting rooms and office space at Centre William Rappard to others</b>	<b>15,000</b>
<b>Contributions of Observer Countries</b>	<b>520,000</b>
<b>Other:</b>	
- Interest on Current Account	92,000
- Various	60,703
<b>TOTAL</b>	<b>1,559,503</b>

**B. INTERNATIONAL TRADE CENTRE UNCTAD/GATT**

**PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997**  
**(A/50/6, A/50/7, A/50/16 AND CRP(95)47)**

19. The Committee was informed that, in a letter dated 29 September 1995 to the Director-General, the Secretary-General of the United Nations noted the agreement "to recommend to the responsible inter-governmental organs that present arrangements governing the status of the International Trade Centre as a joint body be confirmed and renewed with the World Trade Organization, subject to revised budgetary arrangements as called for by the General Council of the World Trade Organization." It is anticipated that the revised budgetary arrangements will be reflected in the 1997 budget.

20. The Executive Director of the International Trade Centre (ITC) presented document A/50/6 (Section 10B) concerning the proposed programme budget for the biennium 1996-1997. The proposed programme budget of ITC for the biennium 1996-1997 was estimated at US\$ 44,048,000. Of this amount, US\$ 764,000 would be met from income, leaving an amount of US\$ 43,284,000 to be contributed in equal portions by the United Nations and the WTO. The proposed budget for 1996 was based on an estimated rate of exchange of US\$ 1/Sw F 1.37. Of the total amount of US\$ 21,327,500 proposed for 1996, miscellaneous income is estimated at US\$ 369,100. Therefore, the net amount to be equally provided for in the budgets of the United Nations and the WTO is US\$ 10,479,200, corresponding to Sw F 14,231,000.

21. The Executive Director further indicated that the cost of a new P-4 post, amounting to US\$ 285,800, for activities related to the follow-up of the Uruguay Round of multilateral trade negotiations was included in the budget. The post would be located at Geneva and its cost would be offset by reductions under other objects of expenditure in administrative sectors.

22. The Committee recommends to the General Council that the WTO share of the expenditure for the International Trade Centre UNCTAD/GATT for 1996 be approved in the amount of US\$ 10,479,200, miscellaneous income being estimated at US\$ 369,100. The amount to be provided to the Centre from the 1996 WTO budget represents Sw F 14,231,000. The contribution will be paid in Swiss francs in twelve equal monthly instalments.

**POINT FOR DECISION: Paragraph 22**

**C. OTHER ITEMS**

**I. ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS**  
**(CRP(95)35-37, WT/BFA/8, L/7635)**

23. The Committee heard the reports presented by the Secretariat on the cash situation, the statement of outstanding contributions as at 31 August 1995, and the progress report of the instalments for countries in arrears. The funds available as of 31 August 1995 stood at Sw F 22,534,428, while the total contributions received amounted to Sw F 76,895,070, and the Working Capital Fund stood at Sw F 6,555,111.

24. The Committee took note of the various up-dates and progress reports.

25. The Committee also heard the delegate of Tanzania on the efforts made by his Government to honour its financial commitment to WTO. It was hoped that other countries would do the same. In this way, WTO would be strengthened to provide technical assistance to the poor and least developed countries.

26. The Committee took note of this statement and commended Tanzania for its commitment to the financing of WTO and urged all countries in arrears to follow this example.

## **II. OUTSTANDING POINTS REGARDING INACTIVE MEMBERS** **(CRP(95)40)**

27. The Committee examined document CRP(95)40 on outstanding points regarding Inactive Members which were that (i) "assessments for Inactive Members for a given year be placed in a separate account and not counted as part of the anticipated revenue of the WTO for that year" and (ii) "arrears collected from Inactive Members for a given year be placed in the Surplus Account" (PC/7, L/7578).

28. The ensuing discussion revealed that there was no consensus in the Committee with regard to a recommendation on the adoption of these two points.

29. In the context of the statement of outstanding contributions which contains information on Contracting Parties/Members under the various categories of administrative measures, the Committee was informed that Guatemala, Haiti and Senegal had been deleted from the list of Inactive Members pursuant to relevant payments of contributions. Subsequently Zambia was also deleted. The Committee commended these countries and urged them to continue payment on remaining arrears.

## **III. PERFORMANCE AGAINST BUDGET AT 31 AUGUST 1995** **(CRP(95)41)**

30. The Secretariat presented a report on the performance against budget at 31 August 1995, and indicated that there was, at this stage, expected budgetary savings amounting to some Sw F 3.2 million. The main reasons for this saving were: (i) the expenditure for the Appellate Body, in 1995, will be lower than anticipated; (ii) the delay in recruitment of the 17 Professional posts created in 1994 as well as recruitment at a lower level than foreseen; (iii) the foreseen increase of 4 per cent of the General Service (GS) category not awarded within the Common System; and (iv) the fluctuation of the US\$ *vis-à-vis* the Swiss Franc. Conversely, overspendings were mainly due to (i) unforeseen early retirement of staff; (ii) the health insurance contribution for GS category had been underestimated; (iii) entitlements for language and family allowances were higher than anticipated, and (iv) the delay in departure of UNHCR from the CWR which entailed the continuation of the rental of annex offices at 80, rue du Lausanne and 2, chemin des Mines.

31. The Committee took note of the report.

## **IV. EXTERNAL AUDIT OF THE ACCOUNTS OF WTO** **(CRP(95)32)**

32. The Committee took note of the contents of the draft letter inviting competitive tenders for the external audit of the accounts of the WTO, beginning with the year 1996, and also took note that the call for tenders would be sent to all Members with a view to receiving responses by 31 December 1995.

## **V. TRANSITION FROM THE ICITO TO THE WTO**

33. The Committee was informed by the Chairman that the completion of transition from ICITO to the WTO would likely be delayed by three months. Various Members expressed concern over the impact the delay would have on the various subjects under study relating to the conditions of service for the staff. It was agreed that the question would be re-examined at a future meeting of the Committee in light of additional legal opinion on the matter.

## **VI. DRAFT STAFF REGULATIONS FOR THE WTO** **(WT/BFA/9, L/7636)**

34. The Committee reviewed the WTO draft Staff Regulations presented by the Secretariat. While not departing in any significant way from the common system, the draft Staff Regulations improved the framework of conditions of employment. Due to the different views expressed on the subject, the Committee noted that a number of points required further discussions. It was agreed that these questions would be examined by a working group established to discuss the matter.

## **VII. FINANCIAL REGULATIONS AND FINANCIAL RULES OF THE WTO**

35. The Secretariat presented the draft Financial Regulations and Financial Rules of the WTO for discussion. It was stressed that they were based on the GATT practice which itself was based on the UN regulations and rules in accordance with the Article VII:2 of the *Marrakesh Agreement Establishing the World Trade Organization*.

36. During the discussions Members proposed various amendments which have been embodied in the text of Annex I and Annex II.

37. While being able to join in a consensus, one delegation expressed a reserve on the existence of a provision for contributions in arrears which forms part of the Surplus Account, the effect of which is that arrears are borne by paying Members. With regard to use of the Working Capital Fund the delegation also expressed the view that extraordinary expenditure should be financed through a Supplementary Budget rather than by having recourse to the Working Capital Fund.

38. Two Members expressed reservations with regard to the administrative measures to be applied to Members with arrears, particularly concerning Inactive Members, as set out in the Financial Regulation 15.2. Another Member was of the view that the obligation to pay contributions promptly had to be further stressed.

39. The Committee recommends to the General Council that, in accordance with Article VII:3 of the Marrakesh Agreement Establishing the World Trade Organization, the WTO Financial Regulations and Financial Rules as set out in Annex I and Annex II respectively be adopted.

### **VIII. OTHER BUSINESS**

40. The Committee heard a presentation made by Norway on the contribution of his Government of US\$ 2.5 million for a Trust Fund for Development of Technical Co-operation and indicated that the fund was considered a WTO trust fund, primarily to assist and encourage the active participation of the poor and least developed countries in the WTO's activities. In the implementation of this trust fund, which was particularly, but not exclusively, destined for African countries, WTO should co-ordinate with ITC and UNCTAD.

41. Several Members congratulated Norway's initiative and expressed the hope that wide publicity would be given with regard to trust fund in order to encourage, on the one hand, other donor countries to follow this initiative, and on the other, recipient countries to make full use of it. The co-operation of WTO/ITC/UNCTAD in the implementation of this trust fund was stressed in order to avoid duplication of work. In the negotiation on the framework of this trust fund, the recipient countries should also be involved. Members expressed the need to have transparency on the utilisation of the trust fund and that it should also be reported in the Committee on Budget, Finance and Administration.

**POINT FOR DECISION: Paragraph 39**

# **ANNEX I**

## **FINANCIAL REGULATIONS**

### **CONTENTS**

	<b><u>Page</u></b>
Chapter I. Authority and applicability . . . . .	16
Chapter II. Preparation of the budget estimates . . . . .	16
Chapter III. Adoption of the budget . . . . .	17
Chapter IV. Collection of funds . . . . .	17
(a) Contributions from Members . . . . .	17
(b) Other income . . . . .	20
(c) Voluntary contributions, gifts or donations . . . . .	20
Chapter V. Use of funds . . . . .	20
Chapter VI. The Surplus Account . . . . .	21
Chapter VII. The Working Capital Fund . . . . .	22
Chapter VIII. Custody and investment of funds . . . . .	23
Chapter IX. The accounts . . . . .	23
Chapter X. Internal control . . . . .	24
Chapter XI. External audit . . . . .	25

### **APPENDIX TO THE FINANCIAL REGULATIONS**

Additional terms of reference governing external audit . . . . .	27
--	----

## **CHAPTER I. AUTHORITY AND APPLICABILITY**

### **Regulation 1**

These Regulations shall govern the financial administration of the World Trade Organization (WTO).

### **Regulation 2**

The Director-General shall be responsible for the implementation of these Regulations. He may delegate to other officers of the WTO such authority as he considers necessary for the effective implementation of these Regulations.

### **Regulation 3**

Rules made by the Director-General in order to carry out the provisions of these Regulations shall be communicated to the General Council for approval.

### **Regulation 4**

These Regulations shall not be amended except by the General Council acting upon the advice of the Committee on Budget, Finance and Administration.

## **CHAPTER II. PREPARATION OF THE BUDGET ESTIMATES**

### **Regulation 5**

The financial period of the WTO shall be one calendar year.

### **Regulation 6**

1. For every financial period, the Director-General shall prepare budget proposals containing estimates of the income and expenditure of the WTO.
2. The estimates shall be expressed in Swiss francs.

### **Regulation 7**

1. The proposed expenditure estimates shall be divided into parts and sections.
2. The proposed expenditure estimates shall be accompanied by such information annexes and explanatory statements as may be requested by or on behalf of the General Council, and such further annexes or statements as the Director-General may deem necessary and useful.

### **Regulation 8**

1. Supplementary budget proposals for the current financial period may be submitted by the Director-General whenever necessary.
2. The Director-General shall prepare supplementary budget proposals in a form consistent with the approved budget. These proposals shall follow the same examination and approval process as for the annual budget proposals.



### **Regulation 9**

The income estimates shall consist of:

- (a) a schedule of miscellaneous income showing for each item, in addition to the estimated amounts, the approved amount for the preceding financial period;
- (b) a draft scale of contributions to be assessed on Members, showing for each Member, the proposed assessment and the contribution assessed for the preceding financial period.

## **CHAPTER III. ADOPTION OF THE BUDGET**

### **Regulation 10**

The Director-General shall submit the budget estimates to the Committee on Budget, Finance and Administration in time for it to be considered at its session in the Autumn preceding each financial period. At the same time, these budget estimates shall be transmitted to all Members of the WTO.

### **Regulation 11**

The Committee on Budget, Finance and Administration shall examine the budget estimates and prepare a report thereon which shall be submitted to the General Council for adoption.

## **CHAPTER IV. COLLECTION OF FUNDS**

### **(a) Contributions from Members**

### **Regulation 12**

1. The expenses of the WTO shall be financed by contributions from Members and miscellaneous income. The contributions shall be according to the scale of assessments determined by the General Council, subject to the adjustments effected in accordance with the provisions of Regulation 15.
2. The share to be contributed by each Member to the annual operating budget of the 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 WTO Members.
3. The figures used shall be those for the last three years for which data are available.
4. The statistics used shall relate to trade in goods,<sup>2</sup> 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.
5. Where IMF data deviate from IMF guidelines 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 Member shall be taken into account by the Secretariat when adequately documented and justified.

---

<sup>2</sup>excluding gold held as a store of value (deposit money banks)

6. If IMF data are not available, the WTO Secretariat shall use estimates based on the best other available sources.
7. A minimum contribution of 0.03 percent will be applied to those members whose share in the total international trade of all WTO Members is less than 0.03 per cent.
8. The contributions shall be assessed and paid in Swiss francs.

#### Regulation 13

1. After the General Council has adopted the budget, the Director-General shall:
  - (a) transmit the relevant documents to the Members;
  - (b) inform the Members of their commitments in respect of annual contributions, and send a corresponding invoice;
  - (c) request the Members to remit their contributions.
2. In accordance with Article VII, 4 of the Marrakesh Agreement Establishing The World Trade Organisation, Members have the obligation to contribute promptly to the WTO their share in the expenses of the WTO. Contributions shall be considered as due and payable in full upon receipt of the invoice or on 1 January of the financial period to which they relate, whichever is later. As of 1 January of the following calendar year, the unpaid balance of such contributions shall be considered to be one year in arrears.

#### Regulation 14

The Director-General shall take appropriate action with a view to ensuring that Members pay their annual contributions promptly. He shall report regularly to the Committee on Budget, Finance and Administration on the state of payment of contributions.

#### Regulation 15

1. An Early Payment Encouragement Scheme shall be applied with a view to encouraging the payment of contributions as early as possible in the year in which they fall due. The interest earned by investing the funds received by the Secretariat and not required immediately shall be refunded to Members who made early payments on a *pro rata* basis depending on the amount of the payments and the date when they are made.
2. So as to avoid the occurrence of contributions in arrears administrative measures shall be applied, where appropriate, after three months' notice by the Secretariat to the Member concerned and the granting of a grace period of one month, as follows:
  - (a) After one full year's assessed contribution remains outstanding at the end of the WTO's financial year:
    - documentation would not be posted to delegations to the WTO in Geneva,
    - representatives would not be nominated to preside over WTO bodies.

- (b) After more than one but less than two full years' assessed contributions remain outstanding at the end of the WTO's financial year:
- documentation would not be posted to delegations to the WTO in Geneva,
  - representatives would not be nominated to preside over WTO bodies,
  - participation in the Committee on Budget, Finance and Administration would be reserved for Members whose contributions are paid or who have not more than one full year's assessment outstanding.
- (c) After two but less than three full years' assessed contributions remain outstanding at the end of the WTO's financial year:
- documentation would not be posted to delegations to the WTO in Geneva,
  - representatives would not be nominated to preside over WTO bodies,
  - participation in the Committee on Budget, Finance and Administration would be reserved for Members whose contributions are paid or who have more than one full year's assessment outstanding,
  - documentation would not be posted to Members,
  - recommendations by the Committee on Budget, Finance and Administration to the General Council on financial matters would be acted on only by Members whose contributions are paid or who have less than two full years' assessments outstanding.
- (d) After three full years' assessed contributions remain outstanding at the end of the WTO's financial year:
- a Member would be designated as an Inactive Member,
  - the list of Inactive Members would be notified to the General Council by the Committee on Budget, Finance and Administration at the beginning of each calendar year with a recommendation that these Members be urged to liquidate their arrears,
  - as soon as an appropriate payment is made by an Inactive Member, the General Council would be notified immediately of the consequential deletion from the list of Inactive Members,
  - Inactive Members would be denied access to training or technical assistance other than that necessary to meet their WTO Article XIV-2 obligations

#### Regulation 16

States or separate customs territories having the status of Observers may only accede to the WTO if their financial obligations as Observers have been fully discharged. New Members shall be required to make a *pro rata* contribution for the year in which they become Members, after any relevant deduction of their assessment as Observer which shall also be calculated on a *pro rata* basis for that year. New Members shall also be required to provide their proportion of the total advances to the Working Capital Fund; this advance shall be carried to the credit of the relevant Member. Payments made by a Member shall be credited first to the Working Capital Fund and then to the contributions due.

#### Regulation 17

Any payment in respect of contributions made by a Member which has not paid in full its contribution for previous calendar years shall, unless the General Council decides otherwise, be credited against the earliest date of such arrears.

#### **Regulation 18**

A Provision for contributions in arrears shall be maintained. It shall be funded through the Surplus Account.

#### **(b) Other income**

#### **Regulation 19**

1. Except in so far as the General Council may decide otherwise, all income other than (a) contributions payable by Members, (b) interest earned by investing contributions received by the Secretariat and not required immediately, (c) income derived from investments of the Working Capital Fund, (d) direct refunds of prior year's expenditure received during the current financial period, and (e) assessments of Observers, shall be classed as miscellaneous income.

2. For each full payment of an annual contribution between 1988 and 1994, any Member with pre-1988 arrears and assessed at the minimum contribution in 1988 may cancel an equal number of assessments for 1987 and earlier years upon payment of the 1989 minimum contribution of Sw F 19,137. The difference between an outstanding contribution for pre-1988 and the amount of Sw F 19,137 shall be funded by miscellaneous income.

#### **(c) Voluntary contributions, gifts or donations**

#### **Regulation 20**

1. Voluntary contributions, gifts or donations may be accepted by the Director-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the WTO, and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the WTO shall require the consent of the Committee on Budget, Finance and Administration.

2. Moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts.

3. Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts of the financial period.

4. Money received by a staff Member as honoraria in his/her official capacity shall be remitted to the Organization and be credited to the WTO Staff Assistance Fund.

5. Unless otherwise provided, such voluntary contributions, gifts or donations shall be administered in accordance with the present Financial Regulations.

### **CHAPTER V. USE OF THE FUNDS**

#### **Regulation 21**

The adoption of a budget by the General Council shall constitute an authorization to the Director-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.

**Regulation 22**

Appropriations shall be available for obligation during the financial period to which they relate.

**Regulation 23**

Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be surrendered by transfer to the Surplus Account.

**Regulation 24**

At the end of the twelve-month period provided in Regulation 23 above, the then remaining balance of any appropriations retained shall be transferred to miscellaneous income. Any unliquidated obligations of the financial period in question shall, at that time, be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

**Regulation 25**

At the end of the financial period the Director-General shall report on the transfers of credits between sections of the expenditure budget to the General Council for approval. For items so identified by the Committee on Budget, Finance and Administration at the time of budget finalization, transfer shall not be permitted.

**Regulation 26**

The Director-General may enter into commitments for future financial periods, provided that such commitments:

- (a) are for activities which have been approved by the General Council and are expected to continue beyond the end of the current financial period; or
- (b) are authorized by specific decisions of the General Council.

**CHAPTER VI. THE SURPLUS ACCOUNT**

**Regulation 27**

1. Budgetary surpluses shall be transferred to the Surplus Account pending decision by the General Council on their use.
2. Increases and decreases of the Provision for contributions in arrears shall be effected by means of the Surplus Account.
3. If at the end of a financial year the Surplus Account shows a *credit balance*, the Director-General shall make proposals to the Committee on Budget, Finance and Administration with regard to its use which may be:
  - (i) application as income against the budget for the second year following that in which the surplus occurs, thereby reducing Member's contributions;

- (ii) transfer to the Working Capital Fund; or
- (iii) use for any other purpose decided upon by the General Council.

4. A *deficit* in the Surplus Account at the end of a financial period shall be covered, to the extent possible, by transfer from the Working Capital Fund. Any part of the deficit left uncovered after transfer from the Working Capital Fund shall be included as an appropriate credit in the budget for the next earliest possible financial period.

## **CHAPTER VII. THE WORKING CAPITAL FUND**

### **Regulation 28**

The Working Capital Fund shall be constituted by:

- (a) assessed advances made by Members. Such sums shall be carried to the credit of the Members which have paid them;
- (b) any sums which the General Council may cause to be paid into it from time to time. Such sums shall be carried to the credit of the organization.

### **Regulation 29**

Any government acceding to the WTO shall make an advance to the Fund in accordance with the scale of contributions applicable to the budget for the year of its accession. The minimum advance to the Working Capital Fund amounts to 0.5 per cent of the principal of the Fund for countries or separate customs territories whose share of the total trade of Members is 0.5 per cent or less.

### **Regulation 30**

The Director-General is authorized to advance from the Working Capital fund:

- (a) such sums as may be necessary to finance budgetary appropriations pending receipt of contributions;
- (b) in exceptional circumstances and subject to prior authorization of the General Council, such sums as may be necessary to finance commitments relating to extraordinary expenditure.

### **Regulation 31**

Sums advanced under Regulation 30(a) above shall be reimbursed to the Working Capital Fund as soon as receipts from contributions are available for the purpose. Sums advanced under Regulation 30(b) shall be reimbursed to the Working Capital Fund by including an appropriate credit in the budget for the next earliest possible financial period.

### **Regulation 32**

The General Council may liberate all or part of the sums constituting the Working Capital Fund, and the sums so liberated in so far as they are derived from monies placed in the Fund under Regulation 28 (a) shall be returned in Swiss francs to the Members which have contributed to the Fund in proportion to their respective shares in the Fund.

### **Regulation 33**

Subject to a decision of the General Council, countries or separate customs territories which for any reason cease to be Members of the WTO shall be entitled to the reimbursement of the total Swiss franc amount of their shares in the Working Capital Fund under Regulation 28 (a).

### **Regulation 34**

Interest accrued on the Working Capital Fund shall be added to the Working Capital Fund and carried to the credit of the Organization under Regulation 28 (b) above.

## **CHAPTER VIII. CUSTODY AND INVESTMENT OF FUNDS**

### **Regulation 35**

1. The Director-General shall designate the bank or banks in which the funds of the WTO shall be kept.
2. The Director-General may make non-speculative short-term investments of monies not needed for immediate requirements. The investments of monies standing to the credit of any trust funds, reserve or special account shall be subject to any directives of the appropriate authority.
3. The Director-General shall include in the financial statements submitted to the General Council a statement of the investments currently held.
4. Income from investments shall be credited as provided in the rules or agreement relating to each fund or account.

## **CHAPTER IX. THE ACCOUNTS**

### **Regulation 36**

1. The Director-General shall maintain such accounts as are necessary and shall prepare final accounts for each financial period on an accrual basis showing:
  - (a) the income and expenditure of all funds;
  - (b) the status of all appropriations, including:
    - (i) the original budget appropriations;
    - (ii) any supplementary appropriations ;
    - (iii) the appropriations as modified by any transfers;
    - (iv) credits, if any, other than the appropriations voted by the General Council;
    - (v) the amounts charged against the appropriations; and
    - (vi) the amounts charged against any other credit.
  - (c) statements of assets and liabilities at the close of the financial period.

He shall also give such other information as may be appropriate to indicate the current financial position of the WTO.

**Regulation 37**

**Appropriate separate accounts shall be maintained in respect of all trust funds, reserves and special accounts.**

**Regulation 38**

**The final accounts of the WTO shall be presented in Swiss francs. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.**

**Regulation 39**

**The final accounts shall be submitted to the external auditor as soon as practicable following the end of the financial period to which they relate.**

**Regulation 40**

**The Director-General shall submit the final accounts and a financial report for each financial period and the external auditor's report thereon to the General Council as soon as practicable following the close of that period.**

**Regulation 41**

**The final audited accounts shall be submitted to the General Council for approval.**

**CHAPTER X. INTERNAL CONTROL**

**Regulation 42**

**The Director-General shall:**

- (a) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;**
- (b) cause all payments to be made on the basis of appropriate supporting documents and other documents which ensure that the services or goods have been received and that payments have not previously been made;**
- (c) designate the officers who may receive monies, incur obligations and make payments on behalf of the WTO;**
- (d) maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:**
  - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the WTO;**
  - (ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the General Council, or with the purposes and rules relating to trust funds and special accounts;**
  - (iii) the economic use of the resources of the WTO.**



#### Regulation 43

Commitments or obligations shall not be incurred and payments shall not be made unless an appropriate authorization has been made under the authority of the Director-General.

#### Regulation 44

The Director-General may, on an exceptional basis, make such *ex gratia* payments as he deems to be necessary in the interests of the WTO. A statement of such payments shall be submitted with the final accounts.

#### Regulation 45

The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets, other than arrears of contributions. A statement of all such losses written off during the financial period shall be submitted to the external auditor with the final accounts.

#### Regulation 46

The Director-General shall establish rules for the procurement of equipment, supplies and other requirements, including rules governing the invitation of tenders.

### CHAPTER XI. EXTERNAL AUDIT

#### Regulation 47

1. The General Council shall appoint an external auditor to perform the audit of the accounts of the WTO.
2. The external auditor shall be the Auditor-General (or officer holding the equivalent title) of a Member of the WTO or another person of high competence.
3. The external auditor shall not be removed during his tenure of office except by the General Council.

#### Regulation 48

1. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directives of the General Council, in accordance with the additional terms of reference set out in the Appendix to these Regulations.
2. 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 WTO.
3. The external auditor shall be completely independent and solely responsible for the conduct of the audit.
4. The General Council may request the external auditor to perform certain specific examinations and issue separate reports on the results.

**Regulation 49**

- 1. The Director-General shall provide the external auditor with the facilities he may require in the performance of the audit.**
- 2. For the purpose of making a local or special examination or of effecting economies of audit cost, the external auditor may in consultation with the Director-General engage the services of any national Auditor-General (or officer holding the 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.**

**Regulation 50**

- 1. The external auditor shall issue a report on the audit of the financial statements and relevant schedules reflecting the position of the final accounts for the financial period which shall include such information as he deems necessary in regard to matters referred to in Regulation 48, paragraph 2, and in the additional terms of reference.**
- 2. The external auditor's report shall be submitted to the General Council, through the Committee on Budget, Finance and Administration, together with the audited financial statements. The Committee on Budget, Finance and Administration shall examine the financial statements and the auditor's report and shall forward them to the General Council with such comments as it deems appropriate.**

## **APPENDIX TO THE FINANCIAL REGULATIONS**

### ***Additional terms of reference governing external audit***

1. The external auditor shall perform such audit of the accounts of the WTO, including all trust funds and special accounts, as he deems necessary in order to satisfy himself that:

- (a) the financial statements are in accord with the books and records of the WTO;
- (b) the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
- (c) the securities and moneys on deposit and on hand have been verified by certificate received direct from the WTO's depositories or by actual count;
- (d) the internal controls are adequate;
- (e) procedures satisfactory to the external auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The external auditor shall be the sole judge as to acceptance in whole or in part of certifications and representations by the Director-General and may proceed to such detailed examination and verification as he chooses of all financial records, including those relating to supplies and equipment.

3. The external auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the external auditor, necessary for the performance of the audit. Information classified as confidential shall be made available on application. The external auditor and his staff shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.

4. The external auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director-General for appropriate action any transaction concerning which he entertains doubts as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Director-General.

5. The external auditor shall express and sign an opinion in the following terms: "I have examined the financial statements numbered ... to ... and relevant schedules of the WTO for the financial period ended 31 December .... My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances." The external auditor's opinion shall state, as appropriate, whether:

- (a) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
- (b) the financial statements were prepared in accordance with the stated accounting principles;
- (c) the accounting principles were applied on a basis consistent with that of the preceding financial period;
- (d) transactions were in accordance with the Financial Regulations and legislative authority.

6. The report of the external auditor to the General Council on the financial operations of the period should mention:

- (a) the type and scope of his examination;
- (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
  - (i) information necessary to the correct interpretation of the accounts;
  - (ii) any amounts which ought to have been received but which have not been brought to account;
  - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - (iv) expenditures not properly substantiated;
  - (v) whether proper books of accounts have been kept;
  - (vi) any deviations of a material nature in the presentation of financial statements from generally accepted accounting principles applied on a consistent basis;
- (c) other matters should be brought to the notice of the General Council, such as:
  - (i) cases of fraud or presumptive fraud;
  - (ii) wasteful or improper expenditure of the WTO's money or other assets (notwithstanding the accounting for the transaction may be correct);
  - (iii) expenditure likely to commit the WTO to further outlay on a large scale;
  - (iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - (v) expenditure not in accordance with the intention of the General Council after making allowance for duly authorized transfers within the budget;
  - (vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
  - (vii) expenditure not in conformity with the authority which governs it;
- (d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records;
- (e) where appropriate, transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the General Council should have early knowledge.

7. The external auditor may make such observations with respect to his findings resulting from the audit and such comments on the Director-General's financial report as he deems appropriate to the General Council and to the Director-General.

8. Whenever the external auditor's scope of audit is restricted, or he is unable to obtain sufficient evidence, he shall refer to the matter in his opinion and report, making clear in his report the reasons for his comments and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the external auditor include criticism in his report without first affording the Director-General an adequate opportunity of explanation on the matter under observation.

10. The external auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is not material.

## **ANNEX II**

### **FINANCIAL RULES**

#### **CONTENTS**

	<u>Page</u>
<b>I. Authority and Applicability</b>	
1.10 Reference . . . . .	32
1.20 Applicability . . . . .	32
1.30 Responsibility or implementation . . . . .	32
1.40 Additional instructions to be issued by the . . . . .	32
Deputy Director-General in charge of Finance . . . . .	32
1.50 Responsibilities of the Director of Finance and . . . . .	32
General Services Division . . . . .	32
1.60 Approaches outside the WTO . . . . .	32
1.70 Responsibility for funds from external sources . . . . .	32
<b>II. Preparation of the Budget Estimates</b>	
2.10 Form of the budget estimates . . . . .	33
2.20 Responsibility for the preparation . . . . .	33
of the budget estimates . . . . .	33
2.30 Furnishing of cost estimates . . . . .	33
<b>III. Collection of Contributions and Other Income</b>	
3.10 Responsibility for collection of contributions . . . . .	33
3.20 Accounting for receipts . . . . .	33
3.30 Miscellaneous income . . . . .	34
3.40 Proceeds from the sale of equipment, discounts or rebates . . . . .	34
3.50 Acceptance of monies by officials . . . . .	34
3.60 Furnishing of official receipts . . . . .	34
<b>IV. Appropriations and Allocations</b>	
4.10 Responsibility of the Deputy Director-General in charge of Finance for the . . . . .	34
implementation of the approved budget . . . . .	34
4.20 Responsibility of the Director of Finance and General Services Division . . . . .	35
to allocate appropriations in accordance with the Functional Budget . . . . .	35
4.30 Periodic review of the expenditure position . . . . .	35
4.40 Transfers between items within the approved regular budget . . . . .	35
<b>V. Control of Obligations</b>	
5.10 Obligations to be incurred only by duly authorized officials . . . . .	35
5.20 Proposals or drafts having financial and/or budgetary implications . . . . .	35
5.30 Control of obligations . . . . .	36
5.40 Obligations to be incurred in conformity with the budget . . . . .	36
5.50 Objection to proposed obligations . . . . .	36
5.60 Adjustments of obligations . . . . .	36

**VI. Presentation and Audit of Claims**

6.10	Payments to be made on the basis of claims . . . . .	37
6.20	Claims to be supported by a copy of the order . . . . .	37
6.30	Time-limits for the presentation of claims . . . . .	37
6.40	Audit of claims . . . . .	37
6.50	Claims to be accompanied by receiving reports . . . . .	38
6.60	Safeguards . . . . .	38
6.70	Objection to a claim . . . . .	38

**VII. Payments**

7.10	Vouchers to support payments . . . . .	38
7.20	Payments to be made to duly entitled persons . . . . .	39
7.30	Officials authorized to make payments . . . . .	39
7.40	Determination of rates of remuneration and reimbursement . . . . .	39
7.50	Advance and progress payments . . . . .	39
7.60	Time-limits for payments . . . . .	40
7.70	Currencies of accounting and currency conversion rates . . . . .	40
7.80	Responsibility for payments . . . . .	41
7.90	<i>Ex gratia</i> payments . . . . .	41

**VIII. Management of Funds**

8.10	Treasury management . . . . .	41
8.20	Monies to be deposited in banks . . . . .	41
8.30	Operation of bank accounts . . . . .	42
8.40	Investment of funds . . . . .	42
8.50	Loss of cash - cases of fraud . . . . .	42
8.60	Exchange of currencies . . . . .	42

**IX. Designation of Cashiers and Advances of Funds**

9.10	Designation of cashiers . . . . .	42
9.20	Establishment of operating cash advances (including Petty Cash advances) . . . . .	42
9.30	Accounting for operating cash advances . . . . .	42
9.40	Other cash advances . . . . .	43

**X. Procurement**

10.10	Authorized contracting officials . . . . .	43
10.20	Contracts Committee . . . . .	43
10.30	Competitive bidding and advertising . . . . .	43
10.40	Exceptions to advertising requirements . . . . .	44
10.50	Awarding of contracts . . . . .	44
10.60	Purchase to be made in writing . . . . .	44
10.70	Written findings . . . . .	44

**XI. Property**

11.10	Property records . . . . .	45
11.20	Physical inventories . . . . .	45
11.30	Use of property or services of the WTO . . . . .	45
11.40	Treatment of cases of loss of assets, fraud or unrecoverable debt . . . . .	45
11.50	Accounting for donated property . . . . .	46
11.60	Disposal of surplus property . . . . .	46

**XII. The Accounts**

12.10	Responsibility for maintaining the accounts . . . . .	46
12.20	Principal accounts . . . . .	46
12.30	Subsidiary accounts . . . . .	46

**Appendix**

Decision of the General Council of 11 July 1995 (WT/GCM/5) on procedure for decisions having financial implications which may be taken by WTO Bodies . . . . .	47
---	----

## **I. AUTHORITY AND APPLICABILITY**

### **1.10 Reference**

These Rules are established pursuant to Regulation 3 of the Financial Regulations of the World Trade Organization (WTO).

### **1.20 Applicability**

These Rules shall apply to the regular budget of the WTO and to all other funds placed at the disposal of the WTO, except in so far as the applicability of special regulations and rules for such other funds is recognised by the Deputy Director-General in charge of Finance.

### **1.30 Responsibility for implementation**

The Deputy Director-General in charge of Finance is responsible to the Director-General for the application and implementation of these Rules. He may delegate any specific authority vested in him pursuant to these Rules, as appropriate, to other officials of the WTO.

### **1.40 Additional instructions to be issued by the Deputy Director-General in charge of Finance**

Within the framework of the Financial Regulations and these Rules, the Deputy Director-General in charge of Finance may issue such additional instructions or establish such procedures as shall be necessary to ensure effective internal financial control, sound administration of funds, and the exercise of economy. No changes in such instructions or procedures shall be made without the approval of the Deputy Director-General in charge of Finance.

### **1.50 Responsibilities of the Director of Finance and General Services Division**

The Director of the Finance and General Services Division is responsible to the Deputy Director-General in charge of Finance for the performance and/or supervision of all budgetary, financial and accounting operations.

### **1.60 Approaches outside the WTO**

No approach shall be made outside the WTO or within the WTO with a view to obtaining funds or resources, or exemptions from existing financial regulations, rules or provisions of the WTO, except with the prior written authorization of the Director-General, the Deputy Director-General in charge of Finance or the Director of Finance and General Services Division.

### **1.70 Responsibility for funds from external sources**

No official may accept responsibility for the handling or management of funds belonging to a government, or to any other body of an official or quasi-official nature with which he is associated by reason of his status as an WTO official, unless he has been specifically authorized in advance to do so on the basis of a decision by the Director-General.



## **II. PREPARATION OF THE BUDGET ESTIMATES**

### **2.10 Form of the budget estimates**

The budget estimates of the WTO shall be drawn up as prescribed in Regulations 5 to 9 of the Financial Regulations. Presentation of the budget estimates shall be both in an overall form and, to the extent possible, broken down according to divisions, i.e. in a functional format.

### **2.20 Responsibility for the preparation of the budget estimates**

The Deputy Director-General in charge of Finance, with the assistance of the Director of Finance and General Services Division, shall be responsible to the Director-General for the provision of advice on budget and financial policy and for the preparation of the estimates of income and expenditure included in the budget proposals and budget documents for submission to the Committee on Budget, Finance and Administration and to the General Council. For this purpose he shall establish such procedures, criteria and deadlines as may be required to assure the timely presentation of sound and realistic budget estimates conforming to the Financial Regulations.

### **2.30 Furnishing of cost estimates**

The Finance and General Services Division shall be responsible for the preparation of all cost estimates that may be required in connection with the activities of the WTO including estimates of the cost of all projects, trust funds, meetings, staff salaries and missions. No official shall issue cost estimates for use outside the WTO without prior written clearance of the estimates by the Director of the Finance and General Services Division.

## **III. COLLECTION OF CONTRIBUTIONS AND OTHER INCOME**

### **3.10 Responsibility for collection of contributions**

The Director of the Finance and General Services Division shall be responsible to the Deputy Director-General in charge of Finance for collecting and accounting for contributions due from Members, as prescribed in Regulations 15 to 18 of the Financial Regulations.

### **3.20 Accounting for receipts**

- (a) All receipts shall be brought to account with the shortest delay possible. Assessed contributions received by the WTO shall be accounted as of the date of receipt in the WTO Bank Account.
- (b) Voluntary contributions, gifts or donations, which directly or indirectly involve additional financial liability for the WTO, shall be kept in a suspense account until their acceptance by the Committee on Budget, Finance and Administration has been authorized in accordance with Regulation 20 of the Financial Regulations.

**3.30 Miscellaneous income**

Miscellaneous income consists of the following categories of receipts accruing to the WTO:

- (a) receipts from the sale of publications and the provision of services;
- (b) the difference between gains and losses on exchange;
- (c) savings on previous year's outstanding obligations;
- (d) overhead on Trust Funds;
- (e) receipts from the rental of meeting rooms and office space;
- (f) assessments from Observer Countries;
- (g) receipts of interest other than that required to be credited to Members in respect of the Early Payment Encouragement Scheme in accordance with Regulation 15 of the Financial Regulations or to be credited to the Working Capital Fund in accordance with Regulation 34;
- (h) refunds of expenditure of prior financial periods;
- (i) WTO cheques remaining uncashed for a period of twelve months after the date drawn;
- (j) other miscellaneous cash receipts.

**3.40 Proceeds from the sale of equipment, discounts or rebates**

Proceeds from the sale of equipment may be set off against the purchase of replacements provided that the sale and purchase occur during the same financial period; otherwise the proceeds shall be treated as miscellaneous income. Proceeds from discounts or rebates shall be credited to the corresponding budgetary account in order to offset expenditures of same nature.

**3.50 Acceptance of monies by officials**

- (a) Wherever possible payments to the credit of the WTO shall be directed to a WTO bank account.
- (b) The Deputy Director-General in charge of Finance shall designate those officials who are authorised to accept money on behalf of the WTO and to issue official receipts.
- (c) Any other official receiving money on behalf of the WTO must immediately remit it in full to an official authorized to accept money or, where this is not possible, deposit it in a WTO bank account. Full details of such deposits shall be sent immediately to the Director of Finance and General Services Division.

**3.60 Furnishing of official receipts**

An official receipt shall be given for all monies received either in cash or by cheque. Receipts shall be drawn up in duplicate, and a copy of the original shall be retained.

**IV. APPROPRIATIONS AND ALLOCATIONS**

**4.10 Responsibility of the Deputy Director-General in charge of Finance for the implementation of the approved budget**

The Deputy Director-General in charge of Finance is responsible to the Director-General for ensuring that the expenditure of the WTO under the regular budget remains within the appropriations as voted and that such appropriations are used only for the purposes approved by the General Council.

**4.20 Responsibility of the Director of Finance and General Services Division to allocate appropriations in accordance with the Functional Budget**

The Director of Finance and General Services Division shall inform in writing the Directors of the amounts allocated to their divisions in accordance with the Functional Budget with the constraints limiting the use of these appropriations.

**4.30 Periodic review of the expenditure position**

- (a) The Finance and General Services Division shall monitor the extent to which allocations are used and prepare reports for the Director-General on amounts currently allocated, obligated and expended, and expected future expenditure, under the allocations.
- (b) Divisional Directors shall be informed regularly of the expenditures and unliquidated obligations recorded against their own allocations provided under the Functional Budget.

**4.40 Transfers between items within the approved budget**

Transfers between sections of the expenditure budget shall be handled through the internal control system, subject to a report submitted by the Secretariat to the General Council for approval at the end of the financial period.

**V. CONTROL OF OBLIGATIONS**

**5.10 Obligations to be incurred only by duly authorized officials**

No contract shall be concluded and no order shall be placed on behalf of the WTO except by an official to whom a formal authority to incur such obligations has been delegated by the Deputy Director-General in charge of Finance.

**5.20 Proposals or drafts having financial and/or budgetary implications\***

- (a) Any draft paper for the General Council which contains a proposal likely to have direct or indirect financial or budgetary implications shall be routed by the originating unit, or the officer to whom it reports, to the Director of Finance and General Services Division for financial evaluation and clearance before being submitted to the Deputy Director-General in charge of Finance.
- (b) Advance clearance and financial evaluation must be obtained before seeking the final approval on any document or communication having a direct or indirect financial implication.

---

\* See Also Appendix.

**5.30 Control of obligations**

- (a) All contracts, appointments, mission orders, purchase orders, or other documents by which a financial obligation is to be incurred on behalf of the WTO must be submitted in advance to the Finance and General Services Division for financial clearance under Regulation 43 of the Financial Regulations except as provided in subparagraph (d) below.
- (b) An authorised official of the Finance and General Services Division shall review the obligating documents submitted in the light of the applicable financial regulations and rules, the approved budget, and the available balances in the respective allocations. He shall also assure himself that the principles of sound economy are maintained. If the obligating document conforms with the above requirements, it shall be certified by an authorised official of the Finance and General Services Division that funds are available and have been reserved to meet the resulting expenditure. Approved obligations shall be recorded by the Finance and General Services Division.
- (c) No obligating document shall be released outside the WTO without the certification by an authorised official of the Finance and General Services Division that funds are available.
- (d) An authorised official of the Finance and General Services Division may issue lump-sum certificates to cover minor routine purchases. At the end of the period for which the certificate is issued, it shall be returned together with a record of the obligation incurred against it, and shall be supported by copies of the corresponding obligating documents. A lump-sum certificate shall be recorded in the accounts as a valid obligation, which shall be adjusted to actual obligations when the certificate is returned.

**5.40 Obligations to be incurred in conformity with the budget**

Obligations shall be incurred only in strict conformity with the relevant budget. All obligating documents submitted for financial clearance shall be accompanied by an indication of the appropriate accounting classification. In case of doubt, the correct classification against which any charge is to be made shall be determined by the Chief of the Budget and Control Section.

**5.50 Objection to proposed obligations**

If the Director of Finance and General Services Division cannot approve an obligating document submitted for certification he shall state his objections in writing. If the requesting official does not agree with the objection, the matter shall be referred to the Deputy Director-General in charge of Finance for decision.

**5.60 Adjustments of obligations**

If part or all of an amount recorded as an obligation is no longer required for the purpose originally foreseen the necessary adjustment shall be made immediately.

## **VI. PRESENTATION AND AUDIT OF CLAIMS**

### **6.10 Payments to be made on the basis of claims**

- (a) Except for the payment of salaries, wages, regularly established allowances and amounts due under external collaboration contracts with individuals, no payment shall be effected unless claimed by the payee. Payments due under external collaboration contracts with individuals shall be made on the basis of payment requests submitted by authorised officials; such requests shall be treated in the same way as claims.
- (b) For each claim submitted, the claimant shall certify that the claim is fair and correct and that payment has not yet been received.
- (c) Where special forms for claims exist, claims must be presented on these forms.

### **6.20 Claims to be supported by a copy of the order**

Claims submitted for payment must normally be supported by a copy of the relevant order showing, where applicable, the registration number of the corresponding obligation.

### **6.30 Time-limits for the presentation of claims**

- (a) Officials authorised to incur obligations shall ensure the presentation, within a reasonable period, of all claims payable.
- (b) Particular care shall be exercised to prevent arrear claims being made after the close of the financial period.
- (c) Claims in respect of officially authorised travel shall be submitted within one month after such travel has been completed.
- (d) Claims for overtime should be submitted within a week after such overtime has been completed.
- (e) Claims involving discounts for prompt payment shall be flagged and shall be processed with the minimum delay possible.

### **6.40 Audit of claims**

- (a) The Certifying Officer shall subject each claim to careful scrutiny before authorising payment, and shall maintain records of all claims processed for payment.
- (b) No claim shall be authorised for payment unless its validity has been clearly established.
- (c) Officials authorised to incur obligations shall supply the Certifying Officer with any information required in connection with the audit of claims.

**6.50 Claims to be accompanied by receiving reports**

- (a) Claims based on the furnishing of goods or services shall be submitted to the Certifying Officer together with a certified receiving report stating whether the goods or services have been furnished in accordance with the specifications of the order, and whether the claim is administratively approved for payment. In addition, the receiving officer shall certify that the goods received have been entered in the register of stocks or inventory.
- (b) The Deputy Director-General in charge of Finance may waive the requirement of receiving reports in the case of standard services such as public utilities, etc.
- (c) For goods delivered to a place outside Geneva, payment may be authorized upon receipt of documents provided that the goods were dispatched appropriately insured to their destination. A duly executed receiving report must be forwarded to the Finance and General Services Division immediately upon receipt of goods.
- (d) In the case of Rule 6.50(c) the official forwarding the claim shall certify that the goods were dispatched with appropriate insurance coverage.

**6.60 Safeguards**

- (a) Officials authorised to incur obligations and the Certifying Officer shall take all necessary steps to avoid duplicate payments of claims.
- (b) Except where this is unavoidable, no official shall be assigned simultaneously any two of the following functions: purchasing and/or acceptance of goods or services, auditing or disbursing.

**6.70 Objection to a claim**

- (a) When the Director of Finance and General Services Division objects to the payment of a claim in full or in part, he shall communicate his objection to the official presenting the claim. If the official does not agree with the objection, he may appeal through proper channels to the Deputy Director-General in charge of Finance.
- (b) if the Deputy Director-General in charge of Finance decides that a claim is to be paid notwithstanding an objection by the Director of Finance and General Services Division, his decision shall be reported to the external auditor.

## **VII. PAYMENTS**

**7.10 Vouchers to support payments**

- (a) No payments shall be effected without satisfactory supporting documents. Except for payments made from cash advances these documents must show that the payment has been approved by a duly authorised Certifying Officer.
- (b) Whenever claims are received as a result of a written order by the WTO, a copy of the order shall be included with the supporting document.
- (c) No verbal authority shall be accepted for making any payments.

**7.20 Payments to be made to duly entitled persons**

- (a) Payments shall be made only to the persons to whom they are due, or to their legal representatives. A payment shall normally be made to a bank account in the name of the person to whom payment is due.
- (b) The Director of Finance and General Services Division may refuse to effect payment of any salary, allowance or other payment, to a third party claiming the payment on behalf of the person to whom it is due. If payments are made to such third party or a legal representative, the nature of the authority under which such payment has been made shall be stated on the supporting document. The cession or other authority shall either be attached to the supporting document, or the Director of Finance and General Services Division shall certify on the supporting document that a sufficient authority was produced.

**7.30 Officials authorized to make payments**

All payments shall be made by authorised officials of the Finance and General Services Division after approval by the Certifying Officer, except for payments made by:

- (a) members of the staff to whom cash is advanced for the purposes of the WTO;
- (b) representatives of the United Nations Development Programme when acting as agents for the WTO;
- (c) any other person specifically designated for this purpose by the Deputy Director-General in charge of Finance.

**7.40 Determination of rates of remuneration and reimbursement**

- (a) Salaries and wages shall be paid in accordance with the relevant provisions of the Staff Regulation, or other applicable rules. All amounts deducted from salaries shall be paid as soon as practicable to the accounts to which these amounts are due. Contributions to the pension fund shall be transferred before the end of the month for which they are due.
- (b) Reimbursement for travel expenses and payment of any allowances to members of the staff shall be effected in accordance with the Staff Regulations or other applicable rules.

**7.50 Advance and progress payments**

The Director of Finance and General Services Division may authorise the inclusion in a contract of provision for such advance payments or partial payments for work in progress as may be required by normal commercial practice and the interests of the WTO. Except for cases where specific provision of this nature has been included in a contract with the approval of the Director of Finance and General Services Division and for cases covered by Rules 6.50(c) and 6.50(d), payment may be made only after the services or goods have been received. Claims for advance and progress payments shall be presented in accordance with Rule 6.50.

**7.60 Time-limits for payments**

- (a) Once it has been ascertained that a payment is in order, it shall be made with reasonable dispatch.
- (b) Proper attention shall be paid to claims offering a cash discount for prompt payment.
- (c) Payments made under the regular budget after the date set for the closing of the accounts of a given financial period are not allowed as a charge against that financial period unless an outstanding obligation duly documented has been established.

**7.70 Currencies of accounting and currency conversion rates**

- (a) The accounts of the WTO shall be maintained in Swiss francs; however subsidiary accounting records may be maintained in other currencies.
- (b) The conversion rates used for internal accounting purposes, called the WTO rate of exchange, shall be set by the Deputy Director-General in charge of Finance.
- (c) Contributions received in a currency other than the Swiss franc shall be converted and credited at the bank rate of exchange at the time of receipt indicated by the value date and recorded at the WTO rate of exchange. Differences in exchange shall be accounted for under (j) below.
- (d) Salaries shall be paid in Swiss francs. The currencies in which the allowances of WTO officials may be paid (whatever the currency in terms of which the entitlement is expressed) shall be established by the Deputy Director-General in charge of Finance.
- (e) When allowances are paid in a currency other than that in which they are expressed, the rate of exchange used for the payment shall be the WTO rate of exchange applicable at the time of payment.
- (f) Advances relating to salaries, allowances (except with regard to Education Grants) and expenses of officials for which the entitlement is expressed in terms of a currency other than the Swiss franc, shall be recorded in Swiss francs at the WTO rate of exchange applicable at the time of the advance.
- (g) Education Grants:
  - (i) Advances relating to Education Grants and made in US dollars shall be recorded in Swiss francs at the WTO rate of exchange;
  - (ii) except for (g) (i) above, all other advances made for Education Grants in currencies other than the Swiss franc shall be recorded in Swiss francs at the bank rate of exchange applicable at the time of the advances;
  - (iii) final settlement will be calculated as to effect full recovery of the amount recorded.



- (h) When expenses incurred by officials or other persons to whom a payment is due from the WTO are reimbursed by the WTO in a currency other than that in which the expenses were incurred, the conversion rate used for the purpose of the reimbursement shall be the WTO rate of exchange applicable on the date on which the expenses were incurred, except in the following circumstances:
- (i) in cases of trust funds where the coordinator had to purchase the currency himself at a given date and produces a bank slip showing the rate at which it was obtained, the conversion shall be made at that rate;
  - (ii) in cases of trust funds where a related advance has been made in a currency other than that in which the expenses are reimbursed by the WTO, the expenses incurred up to the amount of the advance shall be converted at the rate of exchange at which the advance was secured.
- (i) Where a third currency is involved, the local currency obtained by the conversion of the second currency shall be taken into account at the WTO rate of exchange and any difference as a loss or gain on exchange. Where an exchange rate for a third currency has not been established, it shall be calculated by applying the cross-rate with the second currency.
- (j) Exchange gains and losses resulting from the revaluation of regular budget assets and liabilities held in currencies other than the Swiss franc shall be accounted under miscellaneous income.

#### 7.80 Responsibility for payments

An instruction from a superior official shall not relieve the Finance and General Services Division from responsibility for an irregular payment, unless the irregularity was pointed out by the Finance and General Division to the Director-General in writing before the payment was made, and the objection overruled. Any such overruling shall be given in writing and shall be reported to the external auditor.

#### 7.90 Ex gratia payments

The Director-General may, on an exceptional basis, authorise such *ex gratia* payments as he deems to be necessary in the interests of the WTO. A statement of such payments shall be submitted to the external auditor with the relevant accounts.

### VIII. MANAGEMENT OF FUNDS

#### 8.10 Treasury management

The Director of Finance and General Services Division shall be responsible to the Deputy Director-General in charge of Finance for the treasury management of all funds in the custody of the Director-General.

#### 8.20 Monies to be deposited in banks

All monies not immediately required shall be placed in non-speculative accounts in such bank or banks of internationally recognised standing as the Deputy Director-General in charge of Finance may designate.

**8.30 Operation of bank accounts**

Bank accounts shall normally be operated jointly by two or more officials to be designated by the Director-General.

**8.40 Investment of funds**

- (a) Funds available under the regular budget and the Working Capital Fund may be invested in accordance with Regulation 35 of the Financial Regulations.
- (b) Other funds for which the Director-General is responsible shall be invested in accordance with any special regulations in force for such funds, or in the absence thereof, in similar manner to funds available under the regular budget.

**8.50 Loss of cash - cases of fraud**

Any loss of cash or negotiable instruments and any case of fraud, presumption of fraud or attempted fraud must be reported at once to the Deputy Director-General in charge of Finance who will ensure that appropriate follow-up action is taken in conformity with Rule 11.40.

**8.60 Exchange of currencies**

Officials responsible for the operation of WTO bank accounts, or for holding WTO cash or negotiable instruments, are not authorised to exchange one currency for another except to the extent required for the transaction of official business.

**IX. DESIGNATION OF CASHIERS AND ADVANCES OF FUNDS**

**9.10 Designation of cashiers**

Officials who are to perform the function of cashier shall be designated by the Director of Finance and General Services Division. The exact duties of each cashier shall be notified to him in writing by the designating official.

**9.20 Establishment of operating cash advances (including Petty Cash advances)**

Operating cash advances (including petty cash advances) may be made to officials designated by the Director of Finance and General Services Division. The accounts for operating cash advances shall be maintained, normally on an imprest basis, in a form approved by the Director of Finance and General Services Division. The person issuing an advance shall specify in writing the amount of the advance and the purposes for which it may be used. The amount of the advance shall be held to the minimum compatible with working requirements.

**9.30 Accounting for operating cash advances**

- (a) Officials to whom operating cash advances are issued under Rule 9.20 shall make use of such advances only for the purpose for which the advance was authorised and shall be personally responsible therefore.

- (b) They shall render accounting as stipulated when the advance is made; such accounting, unless otherwise specified, shall be made not less frequently than once each month. They shall be in a position at all times to account for the advances. Cash and negotiable instruments shall be kept in safe custody.
- (c) Operating cash advances shall be replenished upon presentation of a claim for replenishment. These claims shall be made in the form prescribed by the Director of Finance and General Services Division or the person issuing the advance and shall list each expenditure made in sufficient detail to permit a proper classification and scrutiny of the expenses. Except as may have been specified when the advance was issued, each expenditure listed must be supported by a proper receipt.

#### 9.40 Other cash advances

In addition to the operating cash advances referred to in Rules 9.20 and 9.30, the Director of Finance and General Services Division may make such other cash advances as may be permitted by the Staff Regulations or administrative instructions.

### **X. PROCUREMENT**

#### 10.10 Authorized contracting officials

Contracts for the purchase of goods and services shall be entered into on behalf of the WTO by officials duly authorised by the Deputy Director-General in charge of Finance.

#### 10.20 Contracts Committee

A Contracts Committee chaired by the Director of Finance and General Services Division will meet to consider purchases falling under the terms of Rule 10.30. A report will be made for each meeting of the Committee.

#### 10.30 Competitive bidding and advertising

- (a) Except as provided in Rules 10.30(c) and 10.40, whenever a single purchase of goods or services is likely to exceed 30,000 Swiss francs or the equivalent, tenders from at least three suppliers shall be sought by invitations to bid or by newspaper advertisement.
- (b) if a single purchase of goods or services is not likely to exceed 30,000 Swiss francs or the equivalent, such tenders may be sought; alternatively, an assessment of competitive prices shall be made whenever possible.
- (c) Rule 10.30(a) shall not apply to employment contracts or to external collaboration contracts with individuals or for supply of the services of a particular individual. The financial criteria and procedures applicable to such contracts shall be approved by the Deputy Director-General in charge of Finance.

**10.40 Exceptions to advertising requirements**

The Deputy Director-General in charge of Finance may waive the application of the Rule 10.30(a) in cases where he decides in the interest of the WTO to do so, and in particular:

- (a) when the prices or rates are fixed pursuant to legislation or by public regulatory bodies or when for other reasons there is no competitive market for the goods or services required;
- (b) when the purchases fall within an approved plan of standardisation of goods or supplies which renders competition impracticable;
- (c) when the exigencies of the service do not permit the delay attendant upon the issue of invitations to bid;
- (d) when the mandatory use of specific currencies renders this impracticable;
- (e) when competitive bidding has failed to give satisfactory results;
- (f) when the contract covers research work to be carried out by a non-profit-making institution;

A record shall be maintained of all cases in which the application of Rule 10.30(a) has been waived.

**10.50 Awarding of contracts**

Wherever tenders have been sought or an assessment of competitive prices has been made, contracts shall normally be awarded to the supplier quoting the lowest price for an acceptable offer. However, when the interests of the WTO so require, any or all of the tenders may be rejected. Where a tender is rejected, under the provisions of this rule, the reasons for such rejection shall be recorded.

**10.60 Purchase to be made in writing**

- (a) All purchases or contracts shall be made in writing, except for direct cash purchases made in accordance with Rule 9.20.
- (b) Where for any reason immediate cash payment cannot be made for goods or services ordered verbally, the order must be confirmed in writing without delay.

**10.70 Written findings**

Each determination or decision required of an authorised purchasing official by the provisions of these rules shall be supported by the written findings of such official. The written findings shall be placed in the appropriate files.

## **XI. PROPERTY**

### **11.10 Property records**

- (a) Adequate records shall be maintained of real property; non-expendable and expendable equipment; supplies and materials received, issued, sold or otherwise disposed of, and remaining on hand. The Deputy Director-General in charge of Finance shall establish the nature and extent of the records to be maintained for the purposes of this Rule.
- (b) The records maintained in respect of supplies and property accounts shall in all cases indicate the official accountable for each item.
- (c) Control accounts shall be maintained recording the total value of capital assets purchased and sold, or otherwise acquired and disposed of.

### **11.20 Physical inventories**

Physical inventories shall be taken of all supplies, equipment or other property of the WTO, or entrusted to the charge of the WTO, at such intervals as may be deemed necessary by the Deputy Director-General in charge of Finance to ensure adequate control over such property.

### **11.30 Use of property or services of the WTO**

- (a) The property or the services of the WTO shall not be used for private purposes except where specifically authorised in the interest of the WTO by the Director of Finance and General Services Division.
- (b) The Director of Finance and General Services Division shall determine the amounts due to the WTO for the use of its property or services.
- (c) Goods or services of the WTO may be provided to Members, the United Nations, other specialised agencies, or other organisations on such terms and conditions as may be appropriate in each case.

### **11.40 Treatment of cases of loss of assets, fraud or unrecoverable debt**

- (a) The Director of Finance and General Services Division may authorise losses of cash, stores or other assets not exceeding the equivalent of 5,000 Swiss francs in each case to be written off if in his judgement the cost of recuperating the loss would exceed the amount to be written off, or if it is very unlikely that action to recuperate the loss would be successful. The Deputy Director-General in charge of Finance may authorize the writing-off of losses exceeding the equivalent of 5,000 Swiss francs.
- (b) All losses which are written off shall be included in the annual financial statements and submitted to the external auditor with the relevant accounts.
- (c) The Deputy Director-General in charge of Finance shall fix the responsibility for the loss, if any, attaching to any official of the WTO. Such official may be required to reimburse the loss either partially or in full, irrespective of whether the loss is covered by insurance or not.

- (d) Any case of fraud, presumption of fraud or attempted fraud must be reported to the Director-General through the Deputy Director-General in charge of Finance.
- (e) Amounts written off and subsequently recovered after the close of the financial period in which the writing-off occurred shall be treated as miscellaneous income.

**11.50 Accounting for donated property**

Goods received and accepted by the WTO as gifts or entrusted to the charge of the WTO, shall be accounted for in the same manner as other goods acquired by the WTO.

**11.60 Disposal of surplus property**

Surplus property having residual commercial value shall be disposed of by sale after competitive bidding unless the Deputy Director-General in charge of Finance in the interest of the WTO authorises a different method of disposal.

## **XII. THE ACCOUNTS**

**12.10 Responsibility for maintaining the accounts**

The accounts shall be maintained by the Finance and General Services Division as prescribed in Chapter IX of the Financial Regulations.

**12.20 Principal accounts**

The principal accounts shall consist of:

- (i) Statement of budgetary expenditure;
- (ii) Income and expenditure account;
- (iii) Surplus account;
- (iv) Statement of assets and liabilities;
- (vi) Separate accounts for the Working Capital Fund and for any trust funds or special accounts.

**12.30 Subsidiary accounts**

The Director of Finance and General Services Division may arrange for subsidiary accounts to be maintained in other services as required by day-to-day operations.

## **Appendix**

### **Decision of the General Council of 11 July 1995 (WT/GCM/5) on procedure for decisions having financial implications which may be taken by WTO Bodies**

WTO Bodies shall, before a decision is taken which may have financial implication, inform the Chairman of the Committee on Budget, Finance and Administration, and identify, in so far as possible, areas in their sphere of competence where compensatory savings could be achieved. On the basis of the analysis made by the Finance and General Services Division 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.