

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
LIMITED 7
GATT/CP.5/C/2
17 November 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fifth Session

REPORT OF WORKING PARTY "C" ON THE BUDGET

D R A F T

I. Estimates of Expenditure for 1951

1. The Working Party considered the estimates of GATT expenditure in 1951 as submitted by the Executive Secretary in his note of October 24 1950, and agreed to recommend the approval of the estimates of Parts I and II as set out in GATT/CP.5/10 (pages 3 and 6-11), subject to the following changes:

- a) a reduction of Section 3 : Other Meetings from \$20,000 to \$10,000
- b) the elimination of Section 4, item (ii) Consultants \$10,000.

2. The Working Party proposed the reduction in Section 3 : Other Meetings, because it felt that it would be sufficient to provide for very limited intersessional meetings in 1951, such as one short, special session of the Contracting Parties to consider items on the agenda of the Fifth Session which would not have been disposed of by December 22, 1950, and one short meeting of a Working Party. If, at the current session or at the Sixth Session, the Contracting Parties decide to convene other intersessional meetings, the cost of such meetings should be met out of the provision for unforeseen.

3. As regards the other sections of Part I : Meetings, the Working Party noted that the estimates were based on the following assumptions :

- (a) that the Fifth Session of the Contracting Parties will be completed before the end of the year,
- (b) that the Torquay Tariff Conference will be concluded on or before March 31, 1951,
- (c) that the Delegations will provide the Secretariat with the stencils of the final schedules in both languages, ready for printing and that, if individual delegations require some assistance from the Secretariat for the translation or preparation of these schedules, such assistance would be extended on a strictly reimbursable basis.
- (d) that the cost of the Sixth Session of the Contracting Parties will not exceed that of a meeting held in Geneva and of a duration of not more than six weeks.

The Working Party agreed that any proposal to extend the duration or to increase the cost of sessions of the Contracting Parties or the Tariff Conference would have to be considered according to the procedure laid down in paragraph 23 of the Report.

4. As regards item 4(ii) : Consultants, the Working Party was of the opinion that the work connected with the preparation of the Reports on Quantitative Restrictions could be entrusted to the regular officers of the Secretariat and that no other work requiring the services of consultants was contemplated at this stage.

5. The following table shows the reductions proposed and the appropriations recommended by the Working Party for Parts I and II of the estimates of expenditure :

	<u>Executive Secretary's Proposal</u> \$	<u>Reduction</u> \$	<u>Working Party's Proposal</u> \$
Part I	72,000	10,000	62,000
Part II	<u>315,281</u>	<u>10,000</u>	<u>305,281</u>
Total	387,281	20,000	367,281

II. Provision for Unforeseen Contingencies

6. The Working Party then addressed itself to the question of unforeseen contingencies and considered, in that connection, the Executive Secretary's suggestion to establish a Working Capital Fund. While agreeing that such a fund would have technical advantages for dealing with the question of unforeseen expenditure and other liquidity problems, the Working Party came to the conclusion that it would be preferable to postpone a decision on the suggestion until the Sixth Session.

7. The United States Delegation proposed the following arrangement :

- (a) to add to the estimate of expenditure a new item, worded as follows :

"Part III : Unforeseen : \$54,000"

- (b) to leave any balance from payments of outstanding contributions in excess of \$61,000 at the disposal of the Executive Secretary for use as approved by the Contracting Parties, provided that such approval could not be necessary to finance approved 1951 expenditure pending delay in the receipt of contributions.

8. The provision for unforeseen contingencies in this proposal would represent about 10 per cent of the estimate of expenditure instead of 15 per cent as suggested by the Executive Secretary. The Working Party was of the opinion that a provision of 10 per cent of the appropriations to cover unforeseen expenditure would normally be ample; it recognized, however, that, in absolute figures, \$54,000 was not a large sum and that, if the programme of work were to be substantially altered at this session or at the next session, that provision might prove insufficient. The Working Party suggests that the Executive Secretary be instructed to report to the Contracting Parties at their Sixth Session on the conditions entered into for unforeseen expenditure. Should it appear that the provision for unforeseen expenditure has been extensively drawn upon, the Contracting Parties would still have at their disposal the cash balance referred to in paragraph 7(b) above to meet such contingency.

9. The Working Party therefore agreed with the arrangement proposed and recommends its adoption as a temporary expedient to meet the situation in 1951; it wishes however to stress that arrangements should give careful consideration to the proposal for the setting-up of a Reserve Fund in order to enable their delegations to arrive at a decision at the Sixth Session of the Contracting Parties.

10. The revised budget estimates, as recommended by the Working Party, are reproduced in Annex I to this report.

III. Cash Resources

11. The Working Party examined carefully, on the basis of the information furnished by delegations and the Secretariat, the probable trend of receipts and expenditure during the four quarters of 1951. As a result of that examination, the Working Party came to the following conclusions :

First Quarter

- (a) the United States and other delegations would remit their 1951 contributions, as assessed, not later than January 31, 1951, provided that this assessment is received before the end of the current year. These amounts, with that part of outstanding contributions expected to be received before April 1951, would slightly exceed the probable expenditure during this quarter;

Second Quarter

- (b) Many other delegations have already indicated that their contributions would be remitted during the month of April; that income will fully cover the expenditure of the second quarter;

Third and Fourth Quarters

- (c) information received so far is not sufficient to estimate the income which would be available to meet expenditure during the second half of the year.

12. No serious problem would therefore arise if all contributions for 1951 and former financial years were received by the Executive Secretary before June 30, 1951, but if a number of contracting parties were to delay the remittance of their contributions beyond that date, the Executive Secretary would be faced by a serious liquidity problem.

13. The Working Party feels bound to draw the attention of the Contracting Parties to the fact that the experience of 1950 in that respect has been highly disappointing: if the amount of contributions in arrears at this time next year were of the same magnitude as this year, it is clear that some method would have to be devised at the Sixth Session to cope with that problem.

14. The Working Party, as instructed by the Contracting Parties, has examined carefully the problem of outstanding contributions and submits the following facts and suggestions.

15. As indicated in GATT/CP/24, about \$58,000 was outstanding on October 31, 1950 with respect to contributions for 1949 and 1950; since that document was issued two contributions have been received by the Finance Office of the United Nations in Geneva, and certain delegations have given more specific information as to the payment of their 1950 contributions. The present situation can be summarized as follows :

a)	<u>Payments</u> received since October 31, 1950	\$ 7,968.59
	Czechoslovakia	1950 contribution)
	Greece	1950 contribution)
	Pakistan	amnesty schedules)
b)	<u>Receipts</u> expected before 31 December 1950	\$15,902.58
	Brazil	
	Burma	
	Indonesia	

c)	<u>Receipts</u> expected during the 1st quarter, 1951	§ 12,352.13
	Italy	1950 contribution balance of 1950 contribution)
	Chile	
d)	<u>Outstanding payments</u> for which no indication has been given :	§ 22,291.85
	China	1949 and 1950 contributions §14,351.72
	Greece	Emergency Schedules 474.77
	Nicaragua	Emergency Conference 1949 and 1950 contributions 3,550.43
	Syria	1950 contribution 2,850.43
	Uruguay	Emergency Conference 1949 and Emergency Schedules 1,264.50

16. The Working Party noted that, in the case of certain countries, the payment had been delayed by internal difficulties of a technical character which would be overcome next year. But, in some other cases, the Working Party was not aware of the reasons for the delays. It therefore recommends that the Contracting Parties draw the attention of the governments concerned to the serious implications that an undue delay in the payment of their contributions would have for the financial stability of the Contracting Parties.

IV. Ways and means of financing the 1951 expenditure

17. In view of the fact that ICIEO would not be in a position to continue the arrangements in force in 1950 for the reimbursement of services rendered to the Contracting Parties, the Working Party recommends that expenses incurred in 1951 by the ICIEO on behalf of the Contracting Parties should be repaid in full and as promptly as practicable. This decision would be consistent with the principle laid down in paragraph 7 of the report of Working Party 9 on the Budget (Budget/3, page 2) which was approved by the Contracting Parties at their Third Session.

18. The Working Party then examined how the additional charges could be met without substantially increasing the contributions of individual contracting parties in 1951.

19. The task set out for the Working Party was greatly facilitated by the fact that, thanks to the strict control exercised by the Executive Secretary on expenditure in 1950, the present financial year will close with a small cash balance and a substantial amount in the form of outstanding contributions⁽¹⁾. This additional source of income, a large part of which would become available in the early part of 1951, could be used to supplement receipts from 1951 contributions.

The next aspects on the GAFT Account as at December 31, 1950 are estimated as follows:

Excess of income available on October 31, 1950 over anticipated expenditure to December 31, 1950	§5,000.00
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Note: This estimate does not include any savings which may be collected during the last quarter of the year

Accounts receivable as at October 31, 1950

a) 1949 and 1950 contributions plus Emergency Schedules	58,000.00
b) payable by Torquay acceders as contributions to expenses of Torquay Conference	29,000.00
Total	<u>§87,000.00</u>

20. The ways and means proposed by the Working Party to meet 1951 expenditure are set out below :

a)	1951 contributions	§ 319,781
b)	cash balance as at 31 December 1950 and payments received in 1951 in respect of 1949 and 1950 financial years, up to an amount of	1,000
c)	miscellaneous income estimated at	<u>22,500</u>
		§ 403,281

IV. General remarks

21. In the opinion of the Working Party, the proposals outlined above would oblige the Executive Secretary to exercise a day-to-day control over expenditure and to apply as heretofore the method of monthly budgets to ensure that commitments are limited to the cash which is actually available or which can be reasonably expected to be available before the payments resulting from commitments become due.

22. The Working Party recognises, however, that in view of the lack of flexibility of the appropriations and the absence of a substantial cash reserve, the Executive Secretary may have some difficulty during the latter part of 1951 in adhering strictly to the rule laid down in paragraph 21 above, without curtailing unduly the services rendered to the contracting parties. It is suggested therefore that the Contracting Parties agree to re-examine the situation at their Sixth Session in the light of the reports which the Executive Secretary would be prepared to submit on commitments with respect to unforeseen expenditure and on receipt of contributions.

23. The Working Party also recommends that the Contracting Parties adopt the procedure in force in the United Nations when proposals involving additional expenditure are discussed. According to that procedure, no proposal involving additional expenditure should be entertained unless it be accompanied by a statement of its financial implications, prepared by the Secretariat, and the question of provision of adequate funds is formally explored.

V. Scale of Contributions

24. The Working Party examined the desirability of revising the scale of contributions at the present juncture.

25. For practical reasons which are set forth in paragraph 11 of this report, the financing of expenditure during the first quarter of 1951 depends to a large extent on the receipt of the contributions of some contracting parties during January next. To achieve that object, the Secretariat should be in a position to send to those governments an official notice of assessment not later than November 30. The proposal submitted by the Czechoslovak Government would require a thorough and detailed examination which would delay the submission of the Working Party's report. Moreover, the trend of discussion of the Working Party had shown that the delegations were only prepared to consider provisional arrangements for financing expenditure in 1951. The arguments advanced against the adoption of more permanent arrangements were equally applicable to a substantial revision of the scale of contributions.

26. The Working Party came, therefore, to the conclusion that it would not be advisable to modify the present scale at this session, it being understood that any contracting party would be free to revert to that question at a later session and to submit any proposal to that effect.

27. The Czechoslovak representative was unable to agree with the arguments advanced to support that conclusion. In his opinion, the scale proposed by his delegation was simple, practical and equitable and he sincerely hoped that the governments parties to the General Agreement would give careful consideration to that proposal in the near future.

28. As regards the payment of contributions, the Working Party recommends that the contracting parties should pay their 1951 contributions as early as possible, and in any case not later than April 30, 1951. The governments intending to accede to the General Agreement after the end of the Torquay Conference will be required to contribute to the expenses of the Contracting Parties in 1951 if they become contracting parties during that year. In order to avoid any delay in the remittance of those contributions, it would be desirable if those governments could take that point into consideration when they decide on their accession. As their accession may be delayed until the second half of 1951, it would be appreciated if they could take steps to ensure that they are authorised to remit their contributions as soon as they become contracting parties.

VI. Other Financial and Administrative Questions

29. The Working Party noted that the probable adoption of a new salary scale by the General Assembly of the United Nations might involve some adjustments in the administrative arrangements in the ICITO Secretariat. It agreed that it would be desirable to make those adjustments if the Executive Secretary were satisfied that the new scheme is appropriate to the circumstances of the Contracting Parties.

30. As regards the accounting and auditing arrangements suggested by the Executive Secretary, the Working Party considered that the relationship between GATT and ICITO was of such a nature as to require the keeping of separate books and accounts which could be inspected by the governments concerned. It feels, therefore, that the Secretariat should be authorized to keep its own accounts in so far as GATT receipts and expenditures are concerned and to make the arrangements which are, in his opinion, most appropriate to enable him to discharge his financial responsibilities towards the governments parties to the General Agreement.

VII. Conclusions

The Working Party submits to the Contracting Parties for consideration and approval a draft resolution on the expenditure of the Contracting Parties in 1951 and ways and means to meet such expenditure.

DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES IN 1951
AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

I

The CONTRACTING PARTIES

HAVING considered the estimates of expenditure of the Contracting Parties during 1951, as set forth in the Schedules annexed to this Resolution,

RESOLVE that :

1. The Executive Secretary is authorized to repay promptly ICITO for services rendered during the year 1951, provided that such repayment does not exceed a total of US \$ 403,281;
2. The repayment referred to in paragraph 1 shall be financed as follows:
 - a) by contributions from contracting parties for an amount of US \$ 319,781;
 - b) by drawing on the cash balance available on December 31, 1950 and payments received in 1951 in respect of 1949 and 1950 financial years up to an amount of US \$ 61,000; and
 - c) by miscellaneous income estimated at US \$ 22,500;
3. Any balance from the cash surplus as at December 31, 1950 and payments of outstanding contributions in excess of \$ 61,000 shall be left at the disposal of the Executive Secretary for use as approved by the Contracting Parties, provided that such approval shall not be necessary to finance approved expenditure in 1951 pending delay in receipt of contributions;
4. The Executive Secretary shall report to the Contracting Parties at the Sixth Session and at the first regular session held after the end of the 1951 financial year all commitments entered into to meet unforeseen and extraordinary expenses;
5. The contributions of the contracting parties in 1951 shall be assessed in accordance with the scale of contributions set forth in Annex C to this Resolution.

II

The CONTRACTING PARTIES

RESOLVE further that :

1. Before adopting any proposal involving expenditure not specifically covered by appropriations already approved, they shall examine the financial implications of that proposal and consider ways and means of meeting the expenditure out of the existing budget resources or new resources;
2. They shall consider at their Sixth Session a report by the Executive Secretary on the income received until the date of the Session and, if there should be an amount in arrears from contributions such as to impede the execution of the work entrusted to the Secretariat, they shall review the appropriations for 1951 and consider appropriate arrangements for financing expenditure during the remainder of the year;

3. They shall also consider at their Sixth Session the question of the establishment of a Working Capital Fund;

III

The CONTRACTING PARTIES

HAVING taken cognizance of the note submitted by the Executive Secretary on contributions in arrears and of the report of its Working Party on Budget Questions,

1. Strongly URGE all contracting parties which have not yet paid their contributions for 1950 and previous years, to do so without delay;

2. And REQUEST all contracting parties to remit their contributions for 1951 as early as possible and in any case, not later than April 30, 1951, and all acceding governments to take the necessary steps to enable them to send their contributions for 1951 which shall be considered as due and payable in full as soon as these governments become contracting parties.

ANNEX A

ESTIMATES OF EXPENDITURE FOR THE FINANCIAL
YEAR 1951

PART I : MEETINGS

<u>Section</u>	<u>Amount in U.S. Dollars</u>
1. Torquay Conference (January-March 1951)	25,000
2. 6th Session, Contracting Parties	27,000
3. Other Meetings	<u>10,000</u>
Total PART I:	62,000

PART II : SECRETARIAT

4. Salaries and Wages	148,431
5. Common Staff Costs	49,750
6. Travel on Official Business	15,000
7. Common Services	8,000
8. Printing	46,000
9. Books and Information Material	1,000
10. Services reimbursable to United Nations	35,100
11. Hospitality	1,000
12. Permanent Equipment	<u>1,000</u>
Total PART II:	<u>305,281</u>

PART III

13. Unforeseen	<u>36,000</u>
GRAND TOTAL	<u>403,281</u>

ANNEX B

ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1951

Detailed Schedules

Amount in U.S. dollars

Schedule I: Section 1. Torquay Conference, (January-
March 1951)

(i) Temporary Assistance	15,000
(ii) Travel and Subsistence of Staff	6,000
(iii) Freight and Transport of Documents	500
(iv) Communications	1,500
(v) Common Services	<u>2,000</u>
	\$ 25,000
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Schedule II: Section 2. 6th Session of Contracting
Parties

(i) Temporary Assistance	5,000
(ii) Meeting Rooms	1,200
(iii) Documents Reproduction and Distribution	11,000
(iv) Translation	6,200
(v) Office Supplies	400
(vi) Communications	600
(vii) Freight and Common Services	<u>2,600</u>
	\$ 27,000
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Schedule III: Section 3. Other Meetings

(i) One short special session of the Contracting Parties	}	\$ 10,000
(ii) One short meeting of a Working Party		
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Schedule IV: Section 4. Salaries and Wages

(i) Established Posts	139,431
(ii) Temporary Assistance	8,000
(iii) Overtime	<u>1,000</u>
	\$ 148,431
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Amount in U. S. dollars

Schedule V: Section 5. Common Staff Costs

(i) Travel and removal expenses of staff and dependents	8,000
(ii) Termination payments	1,000
(iii) Contribution - Staff Benefit Fund	20,000
(iv) Expatriation allowances	8,250
(v) Travel on home leave	5,500
(vi) Children's allowances, educational grants and related travel	2,000
(vii) Staff benefits (medical insurance, compensatory payments, etc.)	<u>5,000</u>
	⌘ 49,750
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Schedule VI: Section 6. Travel on Official Business

Travel of regular staff members on Mission	⌘ 15,000
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Schedule VII: Section 7. Common Services

(i) Cable, telegraph, wireless communication and long-distance telephone	5,000
(ii) Freight, cartage and express (excluding air freight)	2,000
(iii) Air freight	<u>1,000</u>
	⌘ 8,000
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Schedule VIII: Section 8. Printing

(i) Torquay Schedules	7,500
(ii) Consolidated Schedules	30,000
(iii) Pamphlets, leaflets and other printing	<u>8,500</u>
	⌘ 46,000
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Amount in U.S. dollars

Schedule IX: Section 9. Books and Information material

Purchase of Books and Publications	§ 1,000 =====
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Schedule X: Section 10. Services reimbursable to United Nations

(i) Rental of premises	8,300
(ii) Postal services	2,500
(iii) Stationery and office supplies	1,800
(iv) Reproduction of documents	14,000
(v) Translation	1,000
(vi) Other services	7,500
	§ 35,100 =====

Schedule XI: Section 11. Hospitality

Hospitality during meetings	§ 1,000 =====
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Schedule XII: Section 12. Permanent Equipment

Purchase of electric calculating machine	§ 1,000 =====
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(1) 1 unit - \$2,687.25

SCALE OF CONTRIBUTIONS FOR 1951

ANNEX C

Category	Share of total Trade	Contracting Parties in the Category	(1)			Contribution per Country	Total Contributions
			No. of Countries	Units per Country	Total Number of Units		
A	20% or more	United Kingdom, United States	2	20	40	\$53,745.00	\$107,490.00
B	10% or more but less than 20%	Nil	Nil	10	Nil	26,872.50	Nil
C	7% or more but less than 10%	France	1	7	7	18,810.75	18,810.75
D	5% or more but less than 7%	Canada	1	5	5	13,436.25	13,436.25
E	2% or more but less than 5%	Australia, Belgium, Brazil, German Federal Republic, India, Italy, Netherlands, Sweden, Union of South Africa	9	4	36	10,749.00	96,741.00
F	1% or more but less than 2%	Cuba, Czechoslovakia, Denmark, New Zealand, Norway	5	2	10	5,374.50	26,872.50
G	less than 1%	Austria, Burma, Ceylon, Chile, Dominican Republic, Finland, Greece, Haiti, Indonesia, Korea, Lebanon, Liberia, Luxembourg, Nicaragua, Pakistan, Peru, Philippines, Southern Rhodesia, Syria, Turkey, Uruguay.	21	1	21	2,687.25	56,432.25
TOTAL			39		119		\$319,782.75