

INTERIM COMMISSION FOR THE INTERNATIONAL TRADE ORGANIZATION

Loans from the United Nations Working Capital Fund

Note by the Executive Secretary

1. The Resolution of the United Nations Conference on Trade and Employment held at Havana, Cuba, from November 21, 1947 to March 24, 1948, establishing an Interim Commission for the International Trade Organization, provides in paragraph 4:

"the expenses of the Commission shall be met by funds provided by the United Nations and for this purpose the Commission shall make the necessary arrangements with the Secretary-General of the United Nations for the advance of such funds and for their reimbursement."

I. Advances received by ICITO

2. In accordance with the terms of the Resolution of the Havana Conference, the Executive Secretary made arrangements with the Secretary-General of the United Nations in order to receive, from time to time, advances from the United Nations Working Capital Fund designed to cover the current expenditure of the Secretariat. The Secretary-General secured in 1948 and 1949 specific authority from the General Assembly which set up a ceiling for the maximum amount of the advances to be made for each financial year.

The following table gives a brief account of the advances authorized so far:

<u>Financial year</u>	<u>Date of authorization by the Gen. Assembly</u>	<u>Maximum amount authorized</u>	<u>Date of authorization by the Secretary-General</u>	<u>Amount authorized</u>
1948	--	--	April 30, 1948	\$86.490
	--	--	July 21, 1948	\$80.000
	November 18, 1948	\$30.000	Nov. 24, 1948	\$30.000
1949	November 18, 1948	\$344.843	March 17, 1949	\$100.000
	--	--	August 11, 1949	\$50.000
1950	December 12, 1949	a) current exp. of ICITO 1950	---	---
		b) part of ITO Conference if held in 1950	---	---

Total ceiling = \$441.333.-

Total advances = \$346.490.-

II. Terms for repayment

3. In his letter of July 21, 1948, the Secretary-General of the United Nations drew the attention of the Executive Secretary to the fact that in accordance with the terms of the Assembly resolution relating to the Working Capital Fund, all loans made to Specialized Agencies and Interim Commissions were to be repaid within two years.

4. This question of repayment was discussed by the Executive Committee at the meeting held on August 26, 1948 (ICITO/EC.2/SR.2) and, acting on the instructions of the Executive Committee, the Executive Secretary replied on September 16, 1948, to the Secretary-General that the Executive Committee had decided that any advances made to the Commission from the Working Capital Fund would be reimbursed to the United Nations by the I.T.O.

5. At the meeting held on August 1, 1949, (ICITO/1/21), the Executive Committee examined various proposals relating to the financing of ICITO operations in 1950, and in particular, to the repayment of the 1948 loans. The Executive Secretary wrote on August 27, 1949, to the Secretary-General of the United Nations to transmit the suggestions put forward by the Executive Committee.

6. As indicated in the Note by the Executive Secretary dated January 16, 1950 (ICITO/1/27), the Secretary-General considered these suggestions and put forward the following recommendation to the General Assembly:

"an extension of one year be granted for repayment of the 1948 loans, that is, the loans made in 1948 will be repayable within a maximum of three years in lieu of the existing two-year requirement".

7. This recommendation was considered and approved by the Fifth Committee, and the Resolution adopted by the General Assembly (document A/1248), dated December 12, 1949, contains the following paragraph:

"The General Assembly resolves that ... the Secretary-General is authorized to advance from the Working Capital Fund:

.....

"Loans to specialized agencies and preparatory commissions of agencies to be established by inter-governmental agreement under the auspices of the United Nations to finance their work, pending receipt by the agencies concerned of sufficient contributions under their own budgets. In making such loans, which shall be repayable within two years, the Secretary-General shall have regard to the proposed financial resources of the agency concerned,; provided that an extension of one year shall be granted to the Interim Commission of the International Trade Organization for the repayment of the 1948 loans".

8. The Secretary-General subsequently proposed, and the Executive Secretary agreed, that the repayment period in respect of loans granted to ICITO could start from the dates on which funds began to be drawn under each authorization rather than from the date of the authorization. The repayment schedule resulting from that proposal is set out below:

1948 Advances

\$166,490 - repayable on or before 21 July 1951

1949 Advances

£ 30,000 - on or before 1 November 1951
\$100,000 - on or before 1 December 1951

£ 50,000 - no drawing has been made on this amount. The effective two-year period for repayment of this amount will date from the first day of the month during 1950, in which ICITO expenditure exceeds the figure of \$296,490.

III. Estimated situation at the end of 1950

9. In view of the delays in the ratification of the Charter, the Executive Secretary reduced ICITO expenditure to a minimum and agreed with the Contracting Parties on a new arrangement for the repayment of services to be rendered by the ICITO Secretariat in 1950 to that body. He refrained from asking for further advances after August 1949 and did not draw on the advance of \$50,000 authorized in that month. The actual ICITO expenditure in 1948 and 1949 and the estimated expenditures in 1950 are set out below.

<u>Financial year</u>	<u>Expenditures</u>	
1948 (9 months)	\$102,308.98	
1949	<u>96,489.62</u>	198,798.60
1950		
a) disbursements until Sept. 30, 1950 per status of allotments	35,061.96	
b) estimated disbursements from Oct. 1 to Dec. 1, 1950 and non-liquidated obligations as of December 31, 1950	<u>15,000.00</u>	<u>50,061.96</u>
Estimated total ICITO expenditure		248,860.56

10. If casual income derived from the sales of publications and services rendered to other international organisations is disregarded, the ICITO cash account at the end of this year will show a balance estimated at \$97,629.44.

IV. Suggestions by the Executive Secretary

11. In view of the delays in the ratification of the Havana Charter, it would not appear justifiable to ask the United Nations for further loans so long as the number of ratifications of the Charter is not sufficient to induce the Executive Committee to make active preparations for the first Conference of the ITO.

12. As regards the repayment of loans advanced so far, the Executive Secretary suggests that he be authorized to write to the Secretary-General of the United Nations before the end of the present Session of the General Assembly to apprise the Assembly of the situation. This letter might cover the following points:

- a) that the Executive Committee confirms its decision of August 1, 1949 to the effect that the advances received by ICITO would be reimbursed to the United Nations by the ITO and that in accordance with the recommendations put forward by the Secretary-General

to the 1949 Assembly: "the first conference of ITO..." shall "be requested to consider ways and means of reimbursing to the United Nations" such advances;

- b) that, however, there was no indication, at the present time, that the first ITO conference could meet early enough to be in a position to repay the 1948 and 1949 advances in 1951, as contemplated by the General Assembly;
- c) that the Executive Committee, desirous of discharging to the fullest extent practicable the responsibility which it has assumed on behalf of the ITO, has instructed the Executive Secretary to apply any assets available to the ICITO on July 21, 1951 to a partial refund of the advances repayable on or before that date. (These amounts in the form of cash balances or unused balance of authorized advances are estimated at about \$100,000);
- d) these assets of course do not include any monies which would be held in trust by ICITO on account of the Contracting Parties to GATT on that date;
- e) that after this repayment is made, the Executive Secretary will not ask for any advances from the United Nations Working Capital Fund which would have the effect of increasing the financial responsibilities of the ITO. This decision would be reviewed when the Executive Committee, in the light of circumstances, decides to make active preparations for the holding of the first Conference of the ITO;
- f) and that, in view of the exceptional circumstances in which ICITO finds itself at the present juncture, the Executive Committee sincerely hopes that its suggestions will be found acceptable and that, if the Executive Committee decides at a later time to ask for advances from the United Nations Working Capital Fund to meet expenditure incurred in connection with the preparations for and the holding of the first ITO Conference, the Secretary-General and the General Assembly would consider such a request sympathetically. The Executive Committee would also appreciate any assistance which the Secretary-General would feel entitled to give to the ICITO and its Secretariat within the terms of the Assembly resolutions on the Working Capital Fund.