

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/521

8 October 1956

Limited Distribution

FINANCING OF THE 1956 BUDGET

Report by the Executive Secretary

I. INTRODUCTION

1. In accordance with paragraph 4 of the resolution approved by the CONTRACTING PARTIES on 14 November 1955, the Executive Secretary has the honour to report "on the status of budgetary expenditure including all commitments entered into to meet unforeseen and extraordinary expenses". This report contains information on the accounts for 1955, budgetary expenditure up to 30 September 1956, budgetary income received during the first nine months of 1956, the status of accounts receivable (including contributions), as well as on other administrative questions.

II. AUDITED ACCOUNTS FOR 1955

2. The audited accounts for 1955, as well as the report of the Director General of the United Nations Internal Audit Service on the audit of the GATT Accounts have been circulated to the contracting parties in document L/499. A comparative statement giving the expenditure in 1951, 1952, 1953, 1954 as well as the preliminary figures for expenditure in 1955 has been circulated in document L/470 in January last; this statement may be of some use to the contracting parties since it contains a more detailed breakdown of expenditure than the audited accounts annexed to the reports of the Auditor. The only substantial adjustment made to the preliminary papers for 1955 relates to Item C(j) "Other Services and Miscellaneous Expenditure", the major part of which has been transferred to a receivable account in agreement with the Auditor.

3. The income actually received in 1955 slightly exceeded the estimated income for that year. Current contributions outstanding at the end of 1955 accounted for a higher percentage of the assessment than in 1954 (5.08 per cent as compared with 3.32 per cent). In the course of 1956, these arrears, amounting to \$18,000 have been reduced to \$3,000. Miscellaneous receipts were substantially higher than the estimates; this was due mainly to non-recurrent income which could not have been foreseen at the time the budget estimates were approved, to a substantial increase in the sales of publications, and to a change in the method of entering savings on outstanding obligations of the preceding financial year; in 1955, these savings were included in Miscellaneous Income instead of being transferred directly to the Reserve Fund as in previous years.

4. Actual expenditure in 1955 increased again by a very substantial amount (more than \$85,000 as compared with 1954). Half of the increase is due to the second part of the Ninth Session, the cost of which was charged to the 1955 budget, and to the tariff negotiations. Another substantial increase of about \$37,000 related to salaries and wages, half of it to established posts and the other half to temporary assistance during the intersessional period. A further increase of more than \$7,000 was incurred in connexion with the printing of the protocols drawn up during the Review Session and as a result of the tariff negotiations. An increase in expenditure on common services (relating mainly to higher rent at "le Bocage", postal services, stationery, reproduction and distribution of documents) was nearly offset by a reduction in the expenditure of common staff costs (on account of travel and removal expenses, termination payments and repatriation grants and travel on home leave). Part of the increase was met by the budget estimates as originally approved, but in the course of the Review Session it became clear that the appropriation for unforeseen expenditure had to be augmented and a supplementary budget was approved for that purpose. As compared with the revised budget estimates for 1955, actual expenditure represented 85.69 per cent of the appropriation (against 87.75 per cent in 1954). In the various sections expenditure remained within the appropriation, except for the sections relating to the Ninth and Tenth Sessions, tariff negotiations and printing, and it was necessary to draw more than \$22,000 from Part III to increase the original appropriations. The very substantial increase in temporary assistance (\$22,768) as compared with an appropriation of \$7,000) was met out of savings on other items of the same section (travel, established posts and consultants). As regards expenditure for established posts, it may be useful to recall that at the Ninth Session, a proposal had been made by certain delegations in order to revise the status of the top-ranking officials of the secretariat. After consultation with the delegations concerned, the Executive Secretary decided to make such adjustments as could be made under the Staff Regulations without changing the status or the grade of those officials.

5. Actual expenditure in 1955 (including outstanding obligations) exceeded the "normal" income for that year (i.e. current contributions and miscellaneous income) by \$10,769.65, and the difference was covered by a drawing on the Reserve set up in November 1950. As the amount of that drawing did not exceed the original amount of \$20,000 voted for unforeseen expenditure, it would not have been necessary for the CONTRACTING PARTIES to approve a supplementary budget if it had not been for the fact that the Executive Secretary, under the present Financial Regulations, is not allowed to make transfers from one section of the budget to another and therefore to use savings in one section of the budget to meet an excess of expenditure in another section. As shown in the audited accounts the transfers from Part III: unforeseen expenditure, to other parts of the budget exceeded \$20,000.

6. At the end of the year, it was thus possible to re-transfer to the Reserve Fund a large part of the amount which had been earmarked for the financing of the 1955 budget in accordance with the resolutions of 29 October 1954 and 5 March 1955. After allowing for the financing of 1956 expenditure, the Reserve Fund amounted on 1 January 1956 to about \$220,000 and the unobligated cash reserve to about \$194,500, a figure slightly in excess of the minimum figure which is considered as an absolute minimum for the smooth working of the secretariat.

7. The audited accounts for 1955 are submitted to the CONTRACTING PARTIES for approval.

III. EXPENDITURE FOR THE PERIOD 1 JANUARY/30 SEPTEMBER 1956

TABLE I. -- BUDGETARY EXPENDITURE

(U.S. Dollars)

	<u>Up to 30 September 1956</u>
(a) Disbursements	243,074.93
(b) Unliquidated obligations	<u>8,547.66</u>
(c) Total actual expenditure	<u><u>251,622.59</u></u>

8. During the first nine months of 1956, actual expenditure has been lower than during the corresponding period of 1955 (\$251,622.59 as compared with \$291,750.20). It is estimated that for the whole year, expenditure will not be higher than in 1955.

9. Until now, expenditure for the various sections of the budget has not exceeded the appropriations with the exception of expenditure relating to printing. The cost of the Sixth Protocol of Supplementary Concessions exceeded the estimate and it will be necessary to draw about \$1,000 from Part III of the budget to meet this excess expenditure. Another unforeseen expenditure which may also have to be covered by a drawing on Part III relates to the Eleventh Session of the CONTRACTING PARTIES: it will be necessary to recruit more temporary staff from outside Geneva than was contemplated when the budget was approved, and the expenditure on travelling will exceed the estimate. No commitment has been entered into to meet extraordinary expenditure.

IV. INCOME RECEIVED DURING THE PERIOD 1 JANUARY/30 SEPTEMBER 1956

TABLE II - BUDGETARY INCOME

(U.S. Dollars)

	<u>Income Budget for 1956</u>	<u>Receipts up to 30.9.56</u>	<u>Per Cent</u>
Contributions 1956	383,500.--	346,750.--	90.42
Miscellaneous Income	7,300.--	15,166.66	207.76
Transfer from the Cash Reserve	58,000.--	58,000.--	100.--
	<u>448,800.--</u>	<u>419,916.66</u>	<u>93.56</u>

10. Income received before the end of September amounted to 93.56 per cent of the income budget (the corresponding figure was 95.18 in 1955). Receipts on account of miscellaneous income contain an item of a non-recurrent nature, namely payments by delegations for the rent of offices at "Les Ormeaux" during the latter part of the tariff negotiations. The income derived from the sale of publications (\$4,391.25) was again high this year, mainly as a result of the sales to governments of the protocols drawn up by the CONTRACTING PARTIES.

V. RESERVE

11. The Reserve set up in accordance with the resolution of 27 November 1950 amounted to \$227,048.08 on 30 September 1956. Its liquid assets accounted for 98.13 per cent of the total; the balance consisted mainly of one 1955 contribution still outstanding.

12. In accordance with the decision taken in 1953 regarding the setting up in the balance-sheet of a provision for outstanding contributions, it is suggested that the arrears of contributions for 1955 be transferred to that provision at the end of the year. The crediting of the actual receipts on account of outstanding contributions will continue to be done as previously.

VI. RECEIPT OF CONTRIBUTIONS

13. The following table contains a statement of the contributions due on 1 January 1956 for various financial years and the amounts received before 30 April 1956 and in each following month.

TABLE III - CONTRIBUTIONS RECEIVED IN 1956
(U.S. Dollars)

	Current contri- butions	<u>Previous years' contributions</u>					
		1948/49	1950	1951	1953	1954	1955
Contributions due on 1 January 1955	383,500.--	4,650.--	15,902.58	2,687.25	3,000.--	3,000.--	18,000.--
<u>Contributions received</u>							
up to 30.4.56	283,250.--						3,000.--
In May	22,750.--						12,000.--
In June	21,000.--						
In July	3,250.--	900.--	2,650.43		3,000.--	203.51	
In August	-						
In September	16,500.--						
TOTAL	346,750.--	900.--	2,650.43	-	3,000.--	203,51	15,000.--

14. By April 1956, receipt of current contributions amounted to 73.86 per cent of the assessment (against 50.71 per cent in 1955 and 60.53 per cent in 1954) and, by September 1956, 90.42 per cent of the contributions assessed were remitted (91.53 per cent in 1955 and 90.35 per cent in 1954).

VII. ACCOUNTS RECEIVABLE

15. At the end of 1955, current contributions in arrears and accounts receivable in general were higher than at the end of 1954. On 30 September 1956, total accounts receivable were again more substantial than on 30 September of last year, although the position regarding contributions for previous years had improved to a certain extent.

TABLE IV - ACCOUNTS RECEIVABLE

(U.S. Dollars)

	Contributions for current year	Contributions for previous years	Miscellaneous	Total
31 December 1949	21,665.96	-	4,023.95	25,689.91
31 December 1950	62,902.08	5,550.--	474.76	68,926.84
31 December 1951	45,518.20	31,154.30	4,146.03	80,818.53
31 December 1952	5,338.50	25,927.08	7,198.92	38,464.50
31 December 1953	28,404.12	28,596.33	1,664.61	58,665.06
31 December 1954	11,350.90	26,239.83	1,152.79	38,743.52
31 December 1955	18,000.--	29,239.83	7,806.07	55,045.90
30 September 1956 ¹	36,750.--	25,485.89	3,131.61	65,367.50
30 September 1955	(30,000.--)	(29,239.83)	(1,889.86)	(61,129.69)

¹ The corresponding figures as at 30 September 1955 are given in brackets

VIII. CONTRIBUTIONS IN ARREARS

16. The following table contains a statement of contributions due on 30 September 1956. This table has been divided into two parts showing the contributions due by present contracting parties, and those due by countries which have withdrawn from the Agreement.

TABLE V - CONTRIBUTIONS DUE AS AT 30 SEPTEMBER 1956
(U.S. Dollars)

	Contri- butions for 1948/49	Contri- butions for 1950	Contri- butions for 1951	Contri- butions for 1954	Contri- butions for 1955	Contri- butions for 1956
<u>(a) Contracting parties</u>						
BELGIUM						1,000.--
ITALY						13,000.--
CUBA						6,500.--
BURMA						3,250.--
CHILE						3,250.--
NICARAGUA						3,250.--
PERU						3,250.--
URUGUAY				2,796.49	3,000.--	3,250.--
				2,796.49	3,000.--	36,750.--
<u>(b) Contracting parties which have withdrawn from the Agreement</u>						
CHINA	3,750.--	10,601.72				
SYRIA		2,650.43	2,687.25			
	3,750.--	13,252.15	2,687.25			
Grand Total	3,750.--	13,252.15	2,687.25	2,796.49	3,000.--	36,750.--

17. After the adoption of the budget at the Tenth Session the Executive Secretary notified to governments the amount of their contributions for 1956, as well as the date on which the contributions had to be paid. He sent from time to time reminders to governments which had not paid their contributions in due time. Moreover, on the instruction of the CONTRACTING PARTIES, the Executive Secretary addressed a formal communication to the Government of Uruguay regarding the payment of arrears. In July 1956, the Uruguayan Government remitted an amount corresponding to about half the contributions outstanding.

18. Contributions for previous financial years All governments which are now contracting parties have paid all their contributions for the past financial years, with the exception of Uruguay which has not yet paid in full its contributions for 1954 and 1955. No information is available regarding the intentions of the Chinese and Syrian Governments which have withdrawn from the Agreement without settling their arrears.

19. Current contributions For the current financial year, seven governments had not remitted their contributions on 30 September (as compared with six on the same date last year). Moreover, part of the Belgian contribution is outstanding, but the Belgian Government has indicated that it has made the necessary arrangements for having that balance remitted early in 1957. The Executive Secretary has communicated, as usual, with the governments which had not sent their current contributions by the end of September in order to know the date on which these contributions would be available.

IX. OTHER ADMINISTRATIVE QUESTIONS

20. The Executive Secretary has discussed with the United Nations Joint Staff Pension Board and the Secretary-General of the United Nations the text of a draft agreement for the admission of the ICITO into the United Nations Joint Staff Pension Fund. The Executive Secretary has reported on those discussions in L/509 and L/527.

21. As in previous years, the secretariat has taken part in the joint administrative arrangements agreed upon by the various intergovernmental organizations in Geneva as well as in other inter-agency discussions regarding administrative matters.

22. On 30 September 1956, the ICITO had a staff of forty-one officials and fifteen nationalities were represented on that staff.

23. The Executive Secretary intends to continue next year the arrangements made with the United Nations Inspection Service for the auditing of the GATT accounts.

Points for decision: Paragraph 7

Paragraph 12