

RESTRICTED

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GENERAL AGREEMENT ON TARIFFS AND TRADE

REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 27 May 1964, met at the Palais des Nations, Geneva, from 28 September to 1 October 1964.

2. The Committee was chaired by Mr. A. Schnebli of Switzerland, and composed of the following members:

Argentina	Chile	Nigeria
Australia	France	Switzerland
Belgium	Germany, Fed. Rep. of	United Kingdom
Canada	India	United States
Ceylon	Japan	Upper Volta

3. The members for India and Ceylon informed the Committee that as they had not received instructions prior to the meeting they had to reserve their governments' position regarding the recommendations made in the report.

4. In accordance with its terms of reference, the Committee considered the Executive Secretary's Financial Report on the 1963 Accounts and the Report of the External Auditor thereon (document L/2221) and the Budget Estimates for the Financial Year 1965 (document L/2246). In addition to the documents mentioned, the Committee examined the budgetary position as at 31 August 1964 on the basis of out-turn figures prepared by the secretariat. The Committee also considered certain other administrative matters referred to it by the Executive Secretary.

5. The Committee was advised that in accordance with the Resolution approved by the CONTRACTING PARTIES by postal ballot in December 1963, the Executive Secretary will submit the report on the status of budgetary expenditure over the first nine months of 1964 to the special session as an information paper.

I. Report on the 1963 Accounts and Report of the External Auditor thereon

6. The Committee examined the Report on the 1963 Accounts and the Report of the External Auditor thereon. As regards the contributions receivable from contracting parties at 31 December 1963, the Committee was informed that a large part of the

contributions shown as outstanding in the Report had meanwhile been received or were about to be received. The Committee also took cognizance of a communication addressed to the Executive Secretary by the representative in Geneva of the Dominican Republic advising the Executive Secretary of his Government's intention to settle arrears which had accumulated since 1960, at an early date. The Committee noted with satisfaction that the secretariat had succeeded in collecting contributions from preceding years in full or nearly in full.

7. However, a small number of contracting parties still fail to pay contributions during the year they fall due, and some of them have been in arrears for two years or more. The Committee proposed that the Council should recommend to the CONTRACTING PARTIES that in all cases where governments are in arrears for two years, the Executive Secretary, on behalf of the CONTRACTING PARTIES, should inform such governments of the CONTRACTING PARTIES' concern that such a situation exists and invite them to inform the CONTRACTING PARTIES through him of the steps they intend to take to fulfil their financial obligations. The Executive Secretary should communicate to the Council and/or the CONTRACTING PARTIES the replies received.

II. Estimates of Expenditure for 1965

8. The Committee examined the budget estimates for 1965 on the basis of the Note by the Executive Secretary (document L/2246) and further information provided by the representatives of the Executive Secretary.

9. In examining the introductory note by the Executive Secretary contained in document L/2246 the Committee was informed by the Chairman, in his capacity as representative for Switzerland, that the request for a loan in the amount of \$145,000 had been passed by the Federal Council to the Chambers of Parliament. The request would be considered by Parliament during its December session and a final decision could not be expected until that time.

10. The Committee noted that provision had been made for meetings of the Trade Negotiations Conference and subsidiary bodies for a period of six months. Because of the provisional character of these estimates the Committee proposed that, in the event of the Tariff Conference continuing beyond the end of June, expenditure resulting from such continuation should, if possible, be covered by savings or otherwise by a withdrawal from the Working Capital Fund, subject to further authorization by the CONTRACTING PARTIES.

11. In examining Part I of the estimates the Committee noted that financial provision (\$8,750) had been made for a one-week meeting of Committee III to be held away from Geneva. It was explained that the intention behind the Executive Secretary's proposal was to seek the agreement of the Committee to the provision of funds for a meeting of Committee III outside Geneva, should the CONTRACTING PARTIES agree at a later stage that such a meeting should be authorized. The

Committee was nevertheless of the opinion that in accordance with normal budgetary practice, financial provision for meetings outside the organization's headquarters should follow and not precede a decision by the CONTRACTING PARTIES in this respect. The Committee therefore recommended that the provision be deleted, it being understood that in the event the CONTRACTING PARTIES should decide at their next session to hold a meeting of Committee III away from headquarters, provision for such a meeting should be included in the budget for 1965. If, however, the CONTRACTING PARTIES should only reach such a decision during the course of 1965, they should at that time decide on ways and means of financing the extra cost involved.

12. In connexion with the general question of convening meetings outside Geneva, the Committee noted that the Working Party on Regional Liaison Arrangements established at the twenty-first session (SR.21/4) had not yet been convened.

13. In examining the Manning Table for 1965 the Committee noted the relatively large increase in permanent posts which had been proposed. The Committee was satisfied that the expansion of the activities of the GATT, on which the CONTRACTING PARTIES had themselves decided, justified these reinforcements. One member suggested that it might be helpful to the Executive Secretary to have an outside review of the present organizational structure and working methods in order to ensure that available staff is used in the best and most effective manner. Particularly for a small organization which, because of its size, did not have an organization and management branch of its own, such a review could be useful. It was pointed out that, should such a survey be deemed desirable, the cost factor would deserve careful consideration. In response to a suggestion the Committee was informed that, whenever the temporary nature of a particular study or assignment made the use of temporary consultants possible, recourse would continue to be had to this method rather than engaging staff on a permanent basis.

14. The Committee also noted that the Executive Secretary proposed the creation of a new post of Deputy Chief of the Trade Information and Trade Promotion Advisory Service. The Committee recalled that the Expert Group had recommended that the Centre should come into force step by step, and that its work and needs should be reviewed by the Group in the light of experience (document COM.III/131). Moreover, the Group had established specific functions for this service to which the number of posts so far authorized was directly related. In the circumstances the Committee considered that another addition to the establishment of the Centre previously authorized by the CONTRACTING PARTIES should await further consideration by the Expert Group. Meanwhile, the Committee recommended that the post be tentatively retained but not filled pending advice by the Expert Group.

15. The Committee was informed that after the draft estimates had been issued subsequent consideration of the staffing requirements of the Information and Public Relations Office had shown that present proposals, which had provided

for only one additional G2 clerk, had not sufficiently taken account of the sizeable increase proposed for professional staff in other parts of the secretariat. As such increases would have a direct bearing on the work of the Information and Public Relations Office the Executive Secretary considers it essential to add one G3 post of clerk-stenographer to the establishment of that office. The additional cost involved amounts to \$3,750. The Committee proposed that the Council recommend to the CONTRACTING PARTIES that an additional post of clerk-stenographer be authorized and that the additional cost involved be financed from savings within the appropriate sections or by transfer from some other budgetary item.

16. In examining Part II, Section 3, the Committee was informed that the secretariat had been advised by the European Office of the United Nations that the reimbursement rates for various services rendered, which had remained unchanged since 1955, were to be increased as from 1 January 1965. As an analysis of the rates showed that the cost incurred by the European Office had in some cases more than doubled, particularly as a result of the increases in General Service salaries, the Executive Secretary, in agreement with other Geneva organizations concerned, had come to the conclusion that the proposed increases were reasonable. The increases affected the following items in the budget: Part I, Sections 1(iii), 2(iii) and 3(iii), and Part II, Section 3(vii). The Committee was informed that the impact of the changes on Part I of the budget would be minimal. As to the item for reproduction and distribution of documents, the new rates would result in an increase of roughly \$15,000 for this item. The Committee suggested that the Executive Secretary makes every effort to absorb the additional cost within the present budget.

17. Several members remarked on delays in the distribution of documents which continued to occur, causing inconvenience and expense to contracting parties. The Committee believed that if the distribution of documents, including mailing, could be handled by the secretariat rather than by the United Nations such delays could be avoided and better service provided. The Committee realized that if the secretariat were to take direct responsibility for these services the initial cost to the budget might well be high as this would involve additional staff and equipment. Moreover, adequate space must be available. The Committee felt, however, that in the long run this might prove to be a good investment and bearing in mind the recent increase in reimbursement rates payable to the United Nations, it might well be more advantageous. The Committee therefore proposed that the Council recommend to the CONTRACTING PARTIES that the Executive Secretary be requested to examine the possibility of providing for independent GATT mailing and distribution services, including financial implications, and to report to the Committee at its next year's meeting.

18. The question was asked whether or not tenders had been invited from other firms before awarding the contract for the construction of the second Annex to Messrs. Durisol. The Committee was informed that no tenders were invited for

the following reasons: the excellent experience gained with the first Annex constructed by the same firm which had given full satisfaction, the favourable conditions which could be obtained by engaging the same firm and thereby avoiding a good deal of designing and preparatory work as the second Annex would be similar to the first, aesthetic reasons, as the second Annex would be constructed close to the first Annex which made it desirable to follow the same design and use the same materials as for the first Annex, the fact that no other firms specialized in semi-permanent construction of the quality required. The Committee was further informed that the plans and cost estimates had been carefully examined by the secretariat together with the Building and Management Section of the United Nations and that the financial terms had been found reasonable. Finally, the Committee was informed that the same firm had been used for many years by the Canton of Geneva for various semi-permanent constructions and was considered the best in the field. The position had been fully explained at a special meeting of the Committee on Budget, Finance and Administration held on 23 June 1964 and the Committee had agreed to the procedure subsequently followed (document L/2235).

19. The Committee proposed that the Council recommend that the CONTRACTING PARTIES approve the estimates of expenditure for 1965 amounting to \$1,937,250 inclusive of the amount of \$145,000 covering the residual payment for the construction of the second Annex in case the loan referred to in paragraph 9 above should not be granted, or \$1,792,250 exclusive of this amount.

III. Income Budget Estimates for 1965

20. The Committee proposed that the Council recommend to the CONTRACTING PARTIES that the budget for 1965 be financed as follows:

	<u>Including</u> <u>\$145,000</u>	<u>Excluding</u> <u>\$145,000</u>
(a) Contributions assessed on contracting parties	\$1,893,250	(\$1,748,250)
(b) Miscellaneous income	44,000	44,000
	<u>\$1,937,250</u>	<u>(\$1,792,250)</u>

IV. Scale of Contributions

21. The Committee was advised by the representative for Belgium that the information referred to in Annex D of document L/2246 concerning the trade figures for Belgium and Luxemburg was not yet available and that these figures would be submitted to the secretariat as soon as possible. Revised scales of contributions will be submitted to the Council as an addendum to this report. As the decision of the Swiss Parliament concerning the request for a loan of \$145,000 to cover the residual cost of the construction of the second Annex would not be known until

the end of the year two scales of contributions would be prepared, one including provision for payment of the residual amount of \$145,000 for the construction of the second Annex (\$1,893,250) and the other excluding this provision (\$1,748,250).

V. Auditing of the 1964 Accounts

22. The Committee noted that the Executive Secretary intends to make the necessary arrangements with the external auditor for the final auditing of the 1964 accounts, for an interim auditing of the 1965 accounts and for submission to the CONTRACTING PARTIES of the auditor's report for 1964 in accordance with the Decision taken by the CONTRACTING PARTIES in 1951.

VI. Other Matters

(a) Working Capital Fund

23. In reviewing the position of the Working Capital Fund the Committee agreed, at the suggestion of several members, that the question of the appropriate level of the principal of the Fund be considered by the Committee at its meeting next year.

(b) Office space for delegations attending the Trade Negotiations Conference

24. The Committee heard a statement by the Executive Secretary's representative on the situation which had arisen with regard to office space for delegations following a change in the programme of the Trade Negotiations Conference. The Committee was informed that the Executive Secretary had invited the contracting parties by his airgram of 15 July 1963 (GATT/AIR/339) to communicate to the secretariat without commitment the number of offices which would be required by delegations during the forthcoming Trade Negotiations Conference. On the basis of replies received from thirty-five countries by 15 August 1963 arrangements were made with the Geneva Cantonal authorities for the sub-lease of two office buildings covering the period 1 July 1964 to 31 March 1965. The Geneva Cantonal authorities had in turn leased these buildings from private owners. In order to ensure that the appropriate facilities would be available it had been necessary to make arrangements well in advance of the opening of the Kennedy Round. This involved by necessity certain financial commitments towards the Geneva Cantonal authorities who, in turn, were committed towards the owners of the buildings. The Committee noted that in acting as he did, the Executive Secretary had, as in similar circumstances in the past, taken useful steps having in mind the scheduled date for the opening of the Conference and that, taking into account the circumstances then existing in Geneva, this action was in the interest of the CONTRACTING PARTIES. The Committee also noted that a lack of initiative on the part of the Executive Secretary could have had harmful effects. Subsequent events caused the majority of delegations, who had originally requested office space, to cancel their

requests and notify the secretariat to this effect by the end of March 1964. At that moment the total financial commitment amounted to \$54,583. The secretariat, together with the Geneva Cantonal authorities, have made strenuous efforts ever since to reduce this commitment through sub-letting part of the offices to other interested parties. These efforts had been partly successful and would continue. Some further economies would be effected through reduction in charges for cleaning included in the original contract and reductions on depreciation of furniture. The Committee was informed that so far these efforts had resulted in an overall reduction of \$25,045, leaving a balance of \$29,538. The Executive Secretary had reached the conclusion that there were no grounds for seeking rental payments from those countries which had been unable to take up the office space reserved. However, as the financial commitment towards the Geneva Cantonal authorities had to be honoured the Executive Secretary proposed to charge the amount due to Part I, Section 3, of the 1964 budget, which as of 31 August 1964 showed an unencumbered balance of \$50,000. Finally the Committee was informed that it was the Executive Secretary's view that, in order to eliminate the possibility of a similar occurrence in the future, the secretariat could no longer undertake to make arrangements of this kind involving financial commitments unless these were covered in turn by firm commitments on the part of individual contracting parties concerned. The Committee supported this view.

25. The Committee agreed that circumstances beyond the control of the secretariat as well as the delegations had lead to the cancellations of the original requests. The Committee noted with satisfaction that a sizeable reduction of the original financial commitment had ~~already~~ been achieved.

26. The Committee recommended that further efforts be made by the secretariat, in co-operation with the Geneva Cantonal authorities, to achieve still further reductions in order to reduce the amount due to the utmost minimum. The Committee further recommended that, when all possibilities to this effect had been exhausted, the balance of the amount due be charged to Part I, Section 3, of the 1964 budget.

<u>Points for decision:</u>	Paragraph 7
	" 11
	" 14
	" 15
	" 17
	" 19
	" 20
	" 26.

DRAFT RESOLUTION ON THE EXPENDITURE OF THE
CONTRACTING PARTIES IN 1965 AND THE WAYS AND
MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

Having considered the estimates of expenditure of the CONTRACTING PARTIES for 1965 as set forth in schedules annexed to this Resolution,

Resolve that:

1. The Executive Secretary is authorized to repay promptly ICITO for the services rendered during the year 1965, provided that such repayment does not exceed a total of \$1,937,250 inclusive of the amount of \$145,000 covering the residual payment for the construction of the second Annex in case the loan referred to in paragraph 9 above should not be granted, or \$1,792,250 exclusive of this amount.
2. The repayment referred to in paragraph 1 shall be financed as follows:
 - (a) by contributions from contracting parties in the amount of \$1,893,250 (\$1,748,250);
 - (b) by miscellaneous income estimated at \$44,000.
3. The Executive Secretary shall report to the CONTRACTING PARTIES or to the Council on the status of budgetary expenditure over the first nine months of 1965.
4. The contributions of the contracting parties shall be assessed in accordance with the scale of contributions which will be distributed later as Addendum 1 to this document. Two scales of contributions will be prepared, one including provision for \$145,000 mentioned in paragraph 1 of this Resolution, and one excluding such a provision. Depending on the Swiss Government's decision as to the granting of the loan of \$145,000 either one or the other scale will apply. Contributions from contracting parties are considered as due and payable in full as from 1 January 1965.

ANNEX A

REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1965

SUMMARY

<u>Part I: Meetings</u>		<u>Amount in US dollars</u>
<u>Section</u>		
1	Twenty-second session of the CONTRACTING PARTIES (including Ministerial Meeting)	23,000
2	Meetings of the Council and other meetings	32,250
3	Trade Negotiations Conference	<u>12,500</u>
Total Part I:		67,750
<u>Part II: Secretariat</u>		
<u>Section</u>		
1	Salaries and wages and official travel	1,153,300
2	Common staff costs	291,700
3	Common services	132,100
4	Printing	55,000
5	Hospitality	1,500
6	Permanent equipment	<u>67,400</u>
Total Part II:		1,701,000
<u>Part III: Buildings</u>		
<u>Section</u>		
1	Annuity to Canton of Geneva	23,500
2	Construction of Second Annex	<u>(145,000)</u>
Total Part III:		<u>168,500</u>
Grand Total		1,937,250 <u>(1,792,250)</u> =====

ANNEX B

REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1965

DETAILED SCHEDULES

Amount in US dollars

Part I: Meetings

Section 1 - Twenty-second Session of
the CONTRACTING PARTIES
(including Ministerial Meeting)

(i)	Temporary assistance (including overtime)	17,000	
(ii)	Travel and subsistence of temporary staff	1,000	
(iii)	Rental of meetings rooms and additional office space	4,500	
(iv)	Other services	500	
	Total Section 1:		23,000

Section 2 - Meetings of the Council and
other Meetings

(i)	Temporary assistance (including overtime)	22,400	
(ii)	Travel and subsistence of temporary staff	1,100	
(iii)	Rental of meeting rooms and additional office space	8,450	
(iv)	Other services	300	
	Total Section 2:		32,250

Amount in US dollars

Section 3 - Trade Negotiations Conference

(i)	Temporary assistance (including overtime)	5,500
(ii)	Travel and subsistence of temporary staff	800
(iii)	Rental of meeting rooms and additional office space	5,000
(iv)	Other services	<u>1,200</u>

Total Section 3: 12,500

Total Part I: 67,750

Part II: Secretariat

Section 1 - Salaries and Wages and Official Travel

(i)	Established posts	1,078,300
(ii)	Temporary assistance (including overtime)	10,000
(iii)	Consultants	15,000
(iv)	Travel:	
	(a) Travel on official business	45,000
	(b) Technical assistance travel	<u>5,000</u>

Total Section 1: 1,153,300

Amount in US dollars

Section 2 - Common Staff Costs

(i)	Installation grants	11,400
(ii)	Travel and removal expenses of staff and their dependants	17,000
(iii)	Separation payments	5,000
(iv)	Contributions to the UN Joint Staff Pension Fund	137,200
(v)	Repatriation grants and service benefits	5,000
(vi)	Travel on home leave	28,000
(vii)	Family allowances, education grants and related travel:	
	(a) Family allowances	54,500
	(b) Education grants and related travel	16,500
(viii)	Joint services	4,500
(ix)	Other common staff costs	<u>12,600</u>
	Total Section 2:	291,700

Amount in US dollars

Section 3 - Common Services

(i)	Cables and international telephone communications	2,500
(ii)	Freight and cartage	500
(iii)	Books and information material	6,000
(iv)	Rental and maintenance of premises and equipment:	
	(a) Rent	4,700
	(b) Electricity	2,500
	(c) Water supply	300
	(d) Heating	3,200
	(e) Telephone (rental and internal calls in Switzerland)	3,000
	(f) Insurance premiums	1,600
	(g) Cleaning materials	300
	(h) Maintenance expenditure	6,500
	(i) Casual labour	19,000
	(j) Maintenance of service cars	800
(v)	Postal services	11,500
(vi)	Stationery and office supplies	9,000
(vii)	Reproduction and distribution of documents	57,000
(viii)	External audit	1,500
(ix)	Other services and miscellaneous expenditure	2,200

Total Section 3:

132,100

	<u>Amount in US dollars</u>
Section 4 - <u>Printing</u>	55,000
Section 5 - <u>Hospitality</u>	1,500
Section 6 - <u>Permanent Equipment</u>	<u>67,400</u>
Total Part II:	<u>1,701,000</u>
Part III: <u>Buildings</u>	
Section 1 - <u>Annuity to Canton of Geneva</u>	23,500
Section 2 - <u>Construction of Second Annex</u>	<u>(145,000)</u>
Total Part III:	<u>168,500</u>
Grand Total:	<u>1,937,250</u> <u>(1,792,250)</u>

