

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

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INTRODUCTION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 7 March 1972, met at the Villa le Bocage, Geneva, from 2 to 6 and on 12 and 17 October 1972.

2. The Committee was chaired by Mr. R. Moehler of the Federal Republic of Germany and the following thirteen members attended:

Australia	India	Sweden
Canada	Israel	Switzerland
France	Japan	United Kingdom
Germany, F. R.	Poland	United States
		Uruguay

Italy, Portugal and Turkey were represented by observers.

3. In accordance with its terms of reference, the Committee considered the Director-General's Financial Reports on the 1971 Accounts of the GATT and the International Trade Centre UNCTAD/GATT and the Reports of the External Auditor thereon (documents L/3724 and ITC/AG/25) and the Budget Estimates for the Financial Year 1973 of the GATT and the International Trade Centre UNCTAD/GATT (documents L/3720 and ITC/AG/24). In addition to the documents mentioned, the Committee examined the financial positions of the GATT and the International Trade Centre as at 30 September 1972 on the basis of out-turn figures prepared by the secretariat. The Committee also had before it the following working papers:

Disposal of the 1971 Surplus of the GATT

Outstanding Contributions as at 30 September 1972

Distribution of GATT Publications and Documents

Supplementary 1973 Budget Estimates for the International Trade Centre UNCTAD/GATT

Report of the Advisory Committee on Administrative and Budgetary Questions on the ITC Budget Estimates for 1973

Work Programme of the International Trade Centre UNCTAD/GATT and its Budgetary Requirements for 1973 and Planning Estimates for 1974

Report of the Joint UNCTAD/GATT Advisory Group on the  
International Trade Centre on its Fifth Session

Effect of Changes of Currency Parities on Budgetary  
Requirements

4. At the beginning of the meeting the Committee heard an introductory statement by the Director-General. He referred to the current financial position and pointed out that, as a result of the continued unsettled international monetary situation, the financial year 1972 was at present expected to close with a budgetary deficit in the region of \$30,000. This estimated deficit, provided it did not increase, could be covered by using the 1971 surplus. On this assumption, it would not be necessary to assess supplementary contributions on contracting parties or to make a withdrawal from the Working Capital Fund. However, the Director-General had to reserve the possibility of proposing measures at a later date to cover a possible increased deficit which could arise as a result of the present very tight situation and mounting expenses for the preparation of the trade negotiations. The Director-General pointed out that the 1972 approved budget had been calculated at the rate of SF.3.95 to one US dollar, whereas the internal accounting rate was modified to SF.3.84/US\$1 on 1 January 1972. Further, the dollar had fluctuated at market rates substantially below the book rate since the middle of June and additional losses were incurred. Indeed, because of this, the Controller of the United Nations had decided to set the book rate at SF.3.80 to one US dollar with effect from 1 October 1972. The Swiss franc/US dollar parity changes had thus led to additional charges to the 1972 budget which at present were estimated at \$165,000. However, utilization of the provision of \$54,265, made last year under individual headings of the budget for possible increases which could result from the change in the internal accounting rate in October 1971, application of the item for unforeseen expenditure, should it remain available at the end of the year, and savings made within the budget as a result of vigilance would enable the reduction of the net deficit to approximately \$30,000. The final cash situation would, of course, depend upon further developments in the international monetary situation and also on the collection of members' contributions from now until the end of the year.

5. With regard to the 1973 budget estimates, the Director-General drew the Committee's attention to the fact that he had originally proposed an increase of 19.88 per cent over the 1972 budget, of which 9.05 per cent represented unavoidable increases arising from inflation and the impact of changes in currency parities, 9.88 per cent was due to the provision made for the 1973 trade negotiations and their preparation, while only 0.95 per cent resulted from new staff requirements and other small

increases. However, the estimates had been calculated at the rate of SF.3.84 to one US dollar and the change to SF.3.80 with effect from 1 October 1972, which represented an adjustment of 1.05 per cent, would have the effect of increasing 1973 requirements. No provision had been made in respect of any adverse financial consequences which could arise from possible further exchange adjustments in 1973, but the Director-General sought the Committee's approval of a recommendation that he be authorized to draw on the Working Capital Fund to the extent necessary to meet any such losses, should they occur, and to seek, through a special assessment on contracting parties, immediate replenishment of the fund.

6. With regard to the provision of \$468,000 made for the 1973 Trade Negotiations and their preparation, the Director-General stressed the point that the additional staff requested would not be added to the manning table but would be recruited under temporary assistance and be placed within the different divisions concerned with the work of the negotiations. He said that the preparation for these negotiations had already commenced and created a heavy burden both on the staff and on the 1972 budget which was already extremely tight, mainly due to the parity changes. It was therefore necessary to recruit a number of staff as early as possible, and he assured the Committee that further recruitment would be made in stages only when the need for it was fully justified. With regard to bookkeeping considerations, the provisions for the Trade Negotiations and their preparation formed a separate fund which could not be used for other purposes without the prior approval of the Council. Every effort would be made to separate the cost of common services relevant to the negotiations from those for other secretariat activities.

7. Answering questions regarding the provision for a colloquium on special problems in international trade, the Director-General said that although no firm plan for a colloquium had yet been established, GATT was entering new fields as a result of the work in connexion with the trade negotiations and he felt that it was wise to reserve the possibility of discussing new problems with experts on particular aspects of international trade.

8. The Director-General proposed what he considered to be a modest increase of two new professional and five new general service category posts after severe pruning and rollback of proposals put forward by departmental heads. Five of the seven new posts related to the consolidation of posts provided during the past four years under temporary

assistance and, therefore, represented a transfer of credits from temporary assistance to the item for established posts. Four of these posts related to the small computer team working on tariff study problems and it was evident that contracting parties considered that this work would from now on bear a permanent character. In addition, one P.2 Statistical Officer for the Development Division was sorely needed to help cope with requests from developing countries and a G.5 post was required for the Stenographic and Typing Section. The total number of posts proposed for 1973 was thus 196 after taking into account the transfer of supporting posts to the International Trade Centre in accordance with the Committee's decision last year.

9. The Director-General informed the Committee that, in accordance with the mandate given to him last year by the CONTRACTING PARTIES, negotiations had continued throughout the year with the Fondation des Immeubles pour les Organisations Internationales (FIPOI) in connexion with the provision of new accommodation for the GATT in the present ILO building. Extensive discussions had been held with the architects supervising the renovation of the building and GATT's specific requirements, particularly with regard to conference rooms, were being taken into consideration. A draft lease had not yet been received from FIPOI, but it is hoped that something might come to hand before the session of the CONTRACTING PARTIES in November. It did seem, however, that in view of continuous cost increases and the extensive repairs and reconditioning now considered to be essential by FIPOI, the original yearly rental figure of SF.827,000 set tentatively by that organization would have to be somewhat increased.

10. With regard to the 1973 budget estimates of the International Trade Centre UNCTAD/GATT, the Director-General made special mention of the fact that, in view of the tight financial situation of the United Nations, no new post had been proposed in Part I in spite of the continually increasing field programmes. These budget estimates, in which the ACABQ had recommended that a cut of \$48,700 be made, contained, apart from the increase of \$65,000 for rent, no other increase than the unavoidable cost increases due to inflation and to parity changes. However, additional budgetary credits of \$46,700, detailed in document INT(72)94, were now required in order to meet the anticipated trend of salary modifications in 1973 taken into account in the GATT budget but which were not known at the time that the Centre budget was prepared. A further adjustment would have to be made to the original estimates in order to take into account the new accounting rate of SF.3.80 to US\$1. The ACABQ had not considered these additional requirements as, in accordance with United Nations practice, supplementary estimates would be presented to the General Assembly later this year.

11. Concerning the arrangements for accommodation for the International Trade Centre, the Director-General told the Committee that the Centre was now in the process of moving to the new premises in rue de Lausanne and rue de Valais made available by the United Nations. Although only an interim solution to the Centre's space problem, the new offices did meet its short and medium term requirements and had made it possible to regroup into two buildings the entire Centre staff which had been, until now, located in five different buildings and the supervisory task of the Centre Directorate would thus be facilitated. Negotiations with owners of the premises previously occupied by the Centre had led to the satisfactory termination of all leases by 31 October 1972 and dual rent payments had thus been avoided.

12. In conclusion, the Director-General informed the Committee that the Secretary-General of UNCTAD and he had felt it appropriate, in view of the growth of the Centre in recent years, that a thorough review be made of the administration of the Centre. This review was well under way and it was expected that conclusions would be reached in the not too distant future. The CONTRACTING PARTIES would be informed of these conclusions in due course.

A. GATT SECRETARIAT

I. REPORT ON THE 1971 ACCOUNTS AND REPORT  
OF THE EXTERNAL AUDITOR THEREON

13. The Committee examined the Report on the 1971 Accounts and the Report of the External Auditor thereon and was given additional information and explanations by the representatives of the secretariat.

14. With respect to the investments held on 31 December 1971 and listed in the year-end accounts, the Committee was informed that as contributions were received in US dollars, short-term investments were made in dollars until cash was needed. In accordance with the standing instructions of the CONTRACTING PARTIES, long-term investments were converted into short-term deposit accounts on maturity or when their market value became equal or superior to their cost value. Currently, only short-term deposits were made on the basis of the best offer received from a number of banks which were regularly consulted.

15. The Committee recommends that the CONTRACTING PARTIES approve the audited accounts for 1971 and convey to the auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of these accounts.

II. FINANCING OF THE 1972 BUDGET

16. The Committee examined the financial position as at 30 September 1972 on the basis of out-turn figures prepared by the secretariat. It noted that, mainly as a result of changes in the internal accounting rate, it was expected that the expenditure allotments would be overspent by some \$38,400, after taking into account the change in the accounting rate to SF.3.80 to one US dollar on 1 October 1972. It was, however, anticipated that some \$6,700 would be received in excess of the income budget estimates, reducing the expected final budgetary deficit to approximately \$31,700.

17. The Committee noted that the total effect of the US dollar/Swiss franc parity changes in 1972 was in the region of \$165,000 and agreed to recommend that the CONTRACTING PARTIES approve the financing of the additional costs to the 1972 budget as follows:

	<u>US\$</u>
(a) utilization of the provision made under individual headings of the 1972 budget for possible increases which could result from the change in the internal accounting rate in October 1971	54,365
(b) utilization of the anticipated excess of actual 1972 miscellaneous income over estimated income	6,742
(c) utilization of the appropriation for unforeseen expenditure if available	50,000
(d) expected savings within the budget	24,549
(e) earmarking of the 1971 surplus account	<u>29,344</u>
	<u>165,000</u>

18. The Committee examined the situation of outstanding contributions at 30 September 1972 and requested the Director-General to continue to pursue his efforts to obtain payments of contributions in arrears. The Committee noted the benefits which accrued to the secretariat from the early payment of contributions, and agreed to recommend to the Council that governments be urged to pay contributions as early as possible in the calendar year in which they fall due.

### III. ESTIMATES OF EXPENDITURE FOR 1973

19. Before proceeding to an item-by-item examination of the 1973 expenditure estimates, the Committee reviewed the Director-General's note setting out the additional requirements for 1973 due to the change of accounting rate from SF.3.84 to SF.3.80 for one US dollar effective 1 October 1972. The total additional requirements resulting from this change amounted to \$46,600.

20. Some members stated that their governments were in a position to accept the proposed budget estimates as submitted by the Director-General.

They recognized that the level of increase in the requirements due to other factors than the effects of inflation and change in monetary parities and to the provisions made in respect of the 1973 Trade Negotiations and their preparation represented only 0.95 per cent. Other members, nevertheless, felt it necessary to achieve economies where possible without impairing the regular GATT programmes or hindering the GATT from making its full contribution to the success of the Trade Negotiations.

#### Colloquium on special problems in international trade

21. With regard to the provision for a colloquium on special problems in international trade to be held in 1973, the Committee was informed by the secretariat that it was not possible to give a firm indication of the nature of the colloquium at this time, but in view of the fact that GATT was entering new fields as a result of the Trade Negotiations, it would be prudent for the GATT to be able to convene a conference of experts to consider problems of major importance to contracting parties.

22. In view of the uncertainty of the use to be made of this provision and the more pressing projects facing the secretariat in the context of the Trade Negotiations, the Committee agreed that the provision should be deleted and that recourse should be made to the credit for unforeseen expenditure, should it be decided to hold such a colloquium in 1973. Savings of \$20,000 would therefore result.

#### Trade Negotiations and their preparation

23. The Committee examined in detail the provisions made in the original budget estimates under Part I - Section 4 for comprehensive multilateral trade negotiations and their preparation to take place in Geneva throughout 1973. It was noted that in addition to the provision of \$349,000 under this heading, amounts totalling \$119,000 had been provided in respect of travel, common staff costs, common services and hospitality in the relevant sections of the budget. In order to separate the provision for the Trade Negotiations from the funds for the regular secretariat activities, some members requested that the entire provision be shown in one separate Part of the budget, and accordingly a revised statement was distributed to the Committee.

24. In view of the importance of the forthcoming Trade Negotiations, the Committee was of the opinion that it was essential that sufficient funds should be made available to ensure that no difficulties were encountered in servicing the negotiations and in providing the necessary assistance to participating developing countries. The Committee was prepared to accept the proposed credit on the understanding put forward by the Director-General that, in case of partial utilization, no transfer of funds to other Parts of the budget could be made without the prior approval of the Council.

25. However, on the assumption that not all new temporary staff would be in post on 1 January 1973, the Committee agreed that a reduction of \$30,000 could be made under this heading. It was noted in this connexion that, should the need arise, supplementary funds could be called for in the course of 1973 with the approval of the Council.

#### Regradings

26. Some delegations held the view that the justifications for regradings given in document L/3720 were not in all cases sufficient. However, upon receiving further information about the situation and the close scrutiny by the Director-General of the internal Appointments and Promotions Board's recommendations for all proposed regradings, the Committee could agree to the Director-General's proposals in this respect. The Committee further agreed that the Director-General should be given authority to regrade general service posts in the junior categories between G.1 and G.4 in accordance with United Nations practice.

#### Printing

27. The Committee examined the proposed programme for printing and agreed, in order to achieve economies, to reduce the number of Trade Studies to be published in 1973 from three to two, thus reverting to the 1971 level. Savings of \$4,000 would result.

Permanent equipment

28. Concern was expressed by the Committee with regard to the magnitude of increase in the provision for permanent equipment as compared with 1972. The Committee noted that the assembling and stapling machines included in this item were intended to be acquired within the overall programme of the establishment of an independent reproduction service and would be particularly useful during the forthcoming Trade Negotiations. The equipment would give greater operational capacity and would lead to economies on other items. However, in order to reduce the increase in the 1973 budget to a minimum, the Director-General was prepared to defer the purchase of this equipment until next year, thus reducing the provision by \$16,000.

Contribution to the International Trade Centre UNCTAD/GATT

29. In its consideration of the estimate under Part V of the budget (previously Part IV), the Committee examined the total budget estimates of the Centre. A full report of the Committee's discussions will be found in part B of this document. The Committee's conclusions with regard to the Centre budget will have the following effect on the proposed estimates:

	<u>US\$</u>	<u>US\$</u>
Original estimates:		1,120,000
<u>Add:</u>		
Additional cost arising from the Director-General's proposal referred to in paragraph 40 below	46,700	
Additional cost arising from the change of the accounting rate effective 1.10.72 (SF.3.84/3.80)	<u>20,000</u>	
	66,700	
<u>Deduct:</u>		
Reductions proposed in paragraph 57 below	<u>29,900</u>	
	36,800	
Less UN share (50%)	<u>18,400</u>	
		<u>18,400</u>
GATT contribution		<u><u>1,138,400</u></u>

Swiss franc budget

30. The Committee discussed in detail the question of exchange flexibility and its possible effects on budgetary requirements and considered various possibilities, including the Director-General's proposal mentioned in paragraph 5 above. The possibility of expressing future GATT budgets in Swiss francs was considered, and it was recognized that the expression of the organization's budgets in local currency when a large proportion of the organization's expenditures were in that currency was the simplest and most logical approach. The Committee therefore agreed to recommend to the CONTRACTING PARTIES that with effect from 1 January 1973 the GATT budget be expressed in Swiss francs.

IV. INCOME BUDGET ESTIMATES FOR 1973

31. In pursuance of the recommendation contained in paragraph 30 above, the Committee further recommends to the CONTRACTING PARTIES that the income budget estimates be expressed in Swiss francs, and accordingly contributions be assessed on contracting parties in that currency. As a result of this change, the Committee agreed to reduce miscellaneous income to take account of the interest rates obtainable on Swiss franc investments.

32. The Committee agreed that the budget for 1973 be financed as follows:

	<u>Swiss francs</u>
(a) contributions assessed on contracting parties	21,261,000
(b) miscellaneous income	<u>266,000</u>
	<u>21,527,000</u> =====

V. OTHER MATTERS

Distribution of GATT publications and documents

33. The Committee considered current and proposed arrangements for the distribution of GATT publications and documents on the basis of a paper prepared by the secretariat in accordance with the Committee's request last year. Suggested ways and means of achieving savings on distribution included proposals for reducing the number of copies of each document and publication supplied free of charge to contracting parties and other addresses. A proposal to supply documents and publications to governments through the United Nations' pigeon-hole system at the Palais des Nations, which would involve recovery of airmail or surface mail cost in cases where the system was not used, was also examined. A further proposal was made that postage for dispatch in excess of an established maximum number of copies of documents and/or addresses should be recovered. It was felt, however, that the matter should be further studied in much greater detail and the Committee agreed to revert to this matter at a future meeting on the basis of a further secretariat paper.

External audit

34. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final audit of the 1972 accounts of the GATT, for an interim audit of the 1973 accounts and for the submission to the CONTRACTING PARTIES of the auditor's report for 1972 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

VI. CONCLUSION

35. The Committee submits to the CONTRACTING PARTIES for consideration and approval a draft resolution on the expenditure of the CONTRACTING PARTIES and ways and means to meet such expenditure.

POINTS FOR DECISION:

- Paragraph 15
- Paragraph 17
- Paragraph 18
- Paragraph 30
- Paragraph 31
- Paragraph 35

DRAFT RESOLUTION OF THE EXPENDITURE OF THE CONTRACTING PARTIES  
IN 1973 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED

the estimates of expenditure of the CONTRACTING PARTIES for 1973 as set forth in schedules annexed to this Resolution,

RESOLVE that:

1. The Director-General is authorized to repay promptly ICITO for the services rendered during the year 1973, provided that such repayment does not exceed a total of 21,527,000 Swiss francs;
2. The repayment referred to in paragraph 1 shall be financed as follows:
  - (a) by contributions from contracting parties in the amount of 21,261,000 Swiss francs;
  - (b) by miscellaneous income estimated at 266,000 Swiss francs.
3. The Director-General shall report to the CONTRACTING PARTIES or to the Council on the status of budgetary expenditure over the first nine months of 1973;
4. The contributions of the contracting parties shall be assessed in accordance with the attached scale of contributions. Contributions from contracting parties are considered as due and payable in full as from 1 January 1973.

ANNEX I/A

REVISED ESTIMATES OF EXPENDITURE OF THE GATT FOR THE FINANCIAL YEAR 1973

SUMMARY

	<u>Original estimates (L/3720)</u>	<u>Additional requirements due to change of accounting rate effective 1/10/72</u>	<u>Reductions</u>	<u>Revised Estimates</u>	<u>Swiss francs</u> <sup>1/</sup>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>		
<b>PART I: MEETINGS</b>						
<u>Section</u>						
1	Twenty-Ninth session of the CONTRACTING PARTIES	23,300	200	-	23,500	89,300
2	Meetings of the Council and other meetings	83,800	800	-	84,600	321,480
3	Colloquium on special problems in international trade	20,000	-	(20,000)	-	-
	Total Part I:	<u>127,100</u>	<u>1,000</u>	<u>(20,000)</u>	<u>108,100</u>	<u>410,780</u>
<b>PART II: SECRETARIAT</b>						
<u>Section</u>						
1	Salaries and wages and official travel	2,719,300	23,800	-	2,743,100	10,423,780
2	Common staff costs	688,300	2,600	-	690,900	2,625,420
3	Common services	355,400	3,100	-	358,500	1,362,300
4	Printing	74,400	800	(4,000)	71,200	270,560
5	Representation and hospitality	15,500	200	-	15,700	59,660
6	Public information	3,000	-	-	3,000	11,400
7	Permanent equipment	59,000	600	(16,000)	43,600	165,680
	Total Part II:	<u>3,914,900</u>	<u>31,100</u>	<u>(20,000)</u>	<u>3,926,000</u>	<u>14,918,800</u>
<b>PART III: UNFORESEEN EXPENDITURE</b>						
<u>Section</u>						
1	Unforeseen expenditure	50,000	-	-	50,000	190,000
<b>PART IV: TRADE NEGOTIATIONS AND THEIR PREPARATION</b>						
<u>Section</u>						
1	Trade Negotiations and their preparation	468,000	4,500	(30,000)	442,500	1,681,500
<b>PART V: INTERNATIONAL TRADE CENTRE UNCTAD/GATT</b>						
<u>Section</u>						
1	Contribution to the International Trade Centre UNCTAD/GATT	1,120,000	23,350 <sup>2/</sup> 10,000	(14,950)	1,138,400	4,325,920
	Grand Total:	<u>5,680,000</u>	<u>69,950</u>	<u>(84,950)</u>	<u>5,665,000</u>	<u>21,527,000</u>

<sup>1/</sup> Calculated at the accounting rate of SF.3.80 to one US dollar set by the Controller of the United Nations with effect from 1 October 1972.

<sup>2/</sup> GATT share of additional requirements in respect of post adjustment, general service salary scales and increase in pensionable remuneration.

ANNEX II/A

REVISED ESTIMATES OF EXPENDITURE OF THE  
GATT FOR THE FINANCIAL YEAR 1973

DETAILED SCHEDULES

Swiss francs

PART I: MEETINGS

Section 1 - Twenty-Ninth Session of  
the CONTRACTING PARTIES

(i)	Temporary assistance (including overtime)	76,760
(ii)	Travel and subsistence of temporary staff	2,850
(iii)	Rental of meeting rooms and additional office space	8,740
(iv)	Other services	950

Total Section 1: 89,300

Section 2 - Meetings of the Council  
and other Meetings

(i)	Temporary assistance (including overtime)	284,240
(ii)	Travel and subsistence of temporary staff	7,600
(iii)	Rental of meeting rooms and additional office space	28,500
(iv)	Other services	1,140

Total Section 2: 321,480

Total Part I: 410,780

PART II: SECRETARIAT

Swiss francs

Section 1 - Salaries and Wages and Official Travel

(i)	Established posts	9,639,460
(ii)	Temporary assistance (including overtime) and consultants	571,140
(iii)	Travel on official business	213,180
		<hr/>
	Total Section 1:	10,423,780

Section 2 - Common Staff Costs

(i)	Installation grants	26,600
(ii)	Travel and removal expenses of staff and their dependants	64,600
(iii)	Separation payments	76,000
(iv)	Contributions to the United Nations Joint Staff Pension Fund	1,531,400
(v)	Repatriation grants	76,000
(vi)	Travel on home leave	140,600
(vii)	Family allowance, education grants and related travel	
	(a) Family allowances	331,360
	(b) Education grants and related travel	161,120
(viii)	Joint services	55,100
(ix)	Other common staff costs	162,640
		<hr/>
	Total Section 2:	2,625,420

Swiss francs

Section 3 - Common Services

(i)	Cables and telephone communications	18,240
(ii)	Freight and cartage	8,740
(iii)	Books and information material	40,280
(iv)	Rental and maintenance of premises and equipment:	
	(a) Rent	17,860
	(b) Electricity	21,660
	(c) Water supply	3,610
	(d) Heating	23,560
	(e) Telephone (rental and local calls)	27,740
	(f) Insurance premiums	59,470
	(g) Cleaning materials	3,610
	(h) Maintenance expenditure	103,740
	(i) Casual labour	149,720
	(j) Maintenance of service cars	8,360
(v)	Postal services	174,230
(vi)	Stationery and office supplies	76,760
(vii)	Reproduction and distribution of documents	422,560
(viii)	External audit	14,060
(ix)	Other services and miscellaneous expenditure	188,100
		<hr/>
	Total Section 3:	1,362,300
Section 4 - <u>Printing</u>		270,560
Section 5 - <u>Representation and Hospitality</u>		59,660
Section 6 - <u>Public Information</u>		11,400
Section 7 - <u>Permanent Equipment</u>		165,680
		<hr/>
	Total Part II:	14,918,800
		<hr/> <hr/>

Swiss francs.

PART III: UNFORESEEN EXPENDITURE

Section 1 - Unforeseen Expenditure

190,000

PART IV: TRADE NEGOTIATIONS AND  
THEIR PREPARATION

Section 1 - Trade Negotiations and  
their preparation

(i)	Temporary assistance (including overtime)	1,114,920
(ii)	Common staff costs	259,540
(iii)	Travel	44,080
(iv)	Rental of meeting rooms and additional office space	76,760
(v)	General expenses	172,900
(vi)	Hospitality	13,300

Total Section 1: 1,681,500

Total Part IV: 1,681,500

PART V: INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Section 1 - Contribution to the International  
Trade Centre UNCTAD/GATT

4,325,920

Grand Total: 21,527,000

ANNEX III/A

SCALE OF CONTRIBUTIONS FOR 1973

(Scale including a single minimum of 0.12%)

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Country	Contributions in Swiss francs
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Contracting parties:

Argentina. . . . .	129,700
Australia. . . . .	372,100
Austria . . . . .	242,400
Barbados . . . . .	25,500
Belgium. . . . .	803,700
Brazil . . . . .	197,700
Burma. . . . .	25,500
Burundi. . . . .	25,500
Cameroon . . . . .	25,500
Canada . . . . .	1,216,100
Central African Republic . . . . .	25,500
Chad . . . . .	25,500
Chile. . . . .	74,400
Congo, People's Republic of the. . . . .	25,500
Cuba . . . . .	63,800
Cyprus . . . . .	25,500
Czechoslovakia . . . . .	297,700
Dahomey. . . . .	25,500
Denmark. . . . .	295,500
Dominican Republic . . . . .	25,500
Egypt, Arab Republic of. . . . .	59,600
Finland. . . . .	180,700
France . . . . .	1,469,100
Gabon. . . . .	25,500
Gambia . . . . .	25,500
Germany, Federal Republic of . . . . .	2,440,800
Ghana. . . . .	27,700
Greece . . . . .	95,700
Guyana . . . . .	25,500
Haiti. . . . .	25,500
Iceland. . . . .	25,500
India. . . . .	163,700
Indonesia. . . . .	63,800
Ireland. . . . .	106,300

Country	Contributions in Swiss francs
<u>Contracting parties (cont'd):</u>	
Israel . . . . .	80,800
Italy . . . . .	1,067,300
Ivory Coast . . . . .	29,800
Jamaica . . . . .	27,700
Japan . . . . .	1,445,700
Kenya . . . . .	25,500
Korea, Republic of . . . . .	112,700
Kuwait . . . . .	95,700
Luxembourg . . . . .	70,200
Madagascar . . . . .	25,500
Malawi . . . . .	25,500
Malaysia . . . . .	114,800
Malta . . . . .	25,500
Mauritania . . . . .	25,500
Mauritius . . . . .	25,500
Netherlands, Kingdom of the . . . . .	1,031,200
New Zealand . . . . .	95,700
Nicaragua . . . . .	25,500
Niger . . . . .	25,500
Nigeria, Federal Republic of . . . . .	89,300
Norway . . . . .	229,600
Pakistan . . . . .	65,900
Peru . . . . .	59,600
Poland . . . . .	284,900
Portugal . . . . .	142,500
Rhodesia . . . . .	25,500
Romania . . . . .	136,100
Rwanda . . . . .	25,500
Senegal . . . . .	25,500
Sierra Leone . . . . .	25,500
South Africa . . . . .	231,700
Spain . . . . .	272,100
Sri Lanka (Ceylon) . . . . .	27,700
Sweden . . . . .	510,300
Switzerland . . . . .	442,200
Tanzania . . . . .	25,500
Togo . . . . .	25,500
Trinidad and Tobago . . . . .	40,400

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Country	Contributions in Swiss francs
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Contracting parties (cont'd):

Turkey . . . . .	59,500
Uganda . . . . .	25,500
United Kingdom of Great Britain and Northern Ireland . . . . .	1,834,800
United States of America . . . . .	3,284,800
Upper Volta . . . . .	25,500
Uruguay . . . . .	25,500
Yugoslavia . . . . .	170,100
Zaire . . . . .	40,400

  

Associated Governments:

Khmer Republic . . . . .	25,500
Tunisia . . . . .	25,500

  

	<u>21,261,000</u>
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B. INTERNATIONAL TRADE CENTRE UNCTAD/GATT

I. REPORT ON THE 1971 ACCOUNTS OF THE INTERNATIONAL TRADE  
CENTRE UNCTAD/GATT AND REPORT OF THE EXTERNAL AUDITOR THEREON

36. The Committee examined the Report of the Director-General of GATT on the 1971 Accounts and the Report of the External Auditor thereon and heard additional information and explanations given by representatives of the secretariat.

37. In answer to questions a representative of the Director-General pointed out that the External Auditor's recommendations in respect of the 1971 Accounts of the International Trade Centre, on page 16 of document ITC/AG/25 (paragraph 11), were at present under discussion by the Director-General of GATT and the Secretary-General of UNCTAD within the framework of the overall review of the Centre's administration referred to in paragraph 12 above. With regard to the recommendation contained in paragraph 11(d), the Committee noted that the imprest fund, originally established at a level of \$50,000 had been increased to \$125,000 in order to cover adequately the Centre's day-to-day expenditure on UNDP projects.

38. The Committee recommends that the CONTRACTING PARTIES approve the audited accounts of the International Trade Centre UNCTAD/GATT for 1971 and convey to the auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of these accounts.

II. FINANCING OF THE 1972 BUDGET

39. The Committee examined the financial position of the International Trade Centre as at 30 September 1972 on the basis of out-turn figures prepared by the secretariat. It noted that it was anticipated that savings of approximately \$2,000 would be made by 31 December 1972 with respect to expenditure under Parts I and II of the budget, while \$58,200 would remain unspent under Part III due to a shortfall of the same amount in respect of income from overhead costs relating to UNDP projects. This expected shortfall was due to the fact that UNCTAD had provided \$58,200 in services rather than in cash as had been assumed at the time that the estimates were prepared. The final cash position was thus expected to be a surplus in the region of \$2,000.

### III. ESTIMATES OF EXPENDITURE FOR 1973

40. Before proceeding to a detailed consideration of the 1973 expenditure estimates of the International Trade Centre UNCTAD/GATT (document ITC/AG/24), the Committee examined the Director-General of GATT's proposal to increase the original estimates of \$2,268,700 (not including \$446,000 under Part II) by \$46,700, which were required in order to take into account the now expected trend of salary movements in 1973 for staff in the general service category, an accelerated movement in post adjustment for staff in the professional category, and the 5 per cent increase in pensionable remuneration which had been applied since 1 July 1972 in accordance with United Nations' Staff Rule 103.16(b). The Committee also took note of the effect on the estimates of the change of the accounting rate, effective 1 October 1972, resulting in additional budgetary requirements of \$20,000. The Committee agreed to the upward revision of the 1973 budget estimates to take into account the additional requirements detailed above, and the total proposed estimates thus amounted to \$2,335,400.

41. The Committee heard an introductory statement by the Director (Programmes) of the Centre, explaining the premises on which the estimates were based. He drew the Committee's attention to paragraphs 3 and 4 of document ITC/AG/24 in which it was pointed out that, in view of the financial situation of the United Nations, three new professional and four new general service posts, considered necessary to cope with the Centre's 1973 work programme, had not been provided for in the 1973 regular budget estimates. Further, for the same reason, the provisions for temporary assistance and consultants and travel had been maintained at the 1972 level. These measures would inevitably result in a reduction in the rate of programme delivery.

42. The Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)<sup>1/</sup> was made available to the members of the Committee. It was noted that, when the 1973 budget estimates of the Centre were examined by the ACABQ, the requirements outlined in paragraph 40 above had not been taken into consideration. It was further noted that a recommendation for a reduction of \$48,700 had been made, which ACABQ was satisfied could be achieved in the 1973 regular budget without prejudice to the Centre's work programme. The observations in ACABQ's report leading to this recommendation were fully taken into consideration in all aspects of the Committee's examination of the estimates.

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<sup>1/</sup> UN General Assembly document A/8708/Add.1

43. Several members of the Committee stated that they could accept the estimates but, however, they were not opposed to any reduction being made in them, provided that programme delivery was not affected.

44. In previous years the Committee had decided that it should meet in the Spring to consider the International Trade Centre budget estimates before ACABQ met, in order to be able to make its recommendations available to that body. In view of the fact that the budget estimates had been drawn up with full account taken of the financial situation of the United Nations, the Committee had not been convened in the Spring this year. However, it was considered necessary to revert to a Spring meeting next year, especially in view of the difficulty that the Committee had experienced in dealing with matters before it in a one-week session.

#### Salaries and wages

45. The Committee examined the proposals for regrading seven posts in the professional category and six posts in the general service category. Some members of the Committee were of the opinion that the justifications given in the budget document were insufficient and requested additional information in this respect. It was noted that ACABQ had suggested that the proposals for regradings be re-examined with a view to limiting them to those posts which clearly reflected a real increase in the level of responsibility involved. After a thorough reassessment of the proposed regradings by the Centre's Directorate, the Committee was informed that the proposals, which had been most carefully screened by the Director-General of GATT and the Secretary-General of UNCTAD before inclusion in the estimates, were essential to the adequate execution of the work programme and to the maintenance of the Centre's professional corps at maximum efficiency. No reduction could be recommended. Additional justifications indicating the responsibility involved were given, and it was pointed out also that these regradings were directly linked to the absence of any new posts, which reduced promotion possibilities to practically nil, a situation which would have a negative effect on staff morale. Further, the Centre's staff structure demonstrated too low a ratio of senior and medium to lower grade officers, and the need to remedy this situation had to be taken into consideration. The Centre's Market Research Service in particular suffered from this deficiency, partly because staff had been recruited for this Service at too low a level when the Centre had been established. The situation had been further aggravated by the re-orientation of the Centre's work from the execution of a basic research programme to serving as a base for an expanding programme of extra-budgetary technical assistance to individual

countries or groups of countries in response to specific requests from them. In the light of these explanations, the Committee decided that a reduction in the number of regradings proposed would be an unwise economy and agreed to accept them in their totality.

46. Turning to items (ii) and (iii) of Section 1, the Committee reviewed the provisions made in respect of consultants and temporary assistance and overtime and night differential. The Committee recognized that a reduction in the estimates would have an adverse effect on the work programme, but nevertheless, in order to achieve economies, agreed to reduce these provisions by \$6,100 for item (ii) and by \$800 for item (iii). Some delegations stated that they were not in favour of these reductions.

#### Common staff costs

47. The Committee examined the estimates for common staff costs and noted that ACABQ had considered the budgetary provisions for some categories of common staff costs to be somewhat generous. The secretariat explained, however, that expenses under this item were based on statutory regulations and allowances applied to the individual incumbents of posts, and that there was no discretion in expenditures. As the ACABQ had provided no details as to how savings might be achieved, the Committee could not accept the view of the ACABQ that the budgetary provisions for this item were somewhat generous. Although economies would therefore not normally be possible in this area, a change of incumbent, unforeseen at the time when the budget was prepared, had recently taken place in respect of a senior post, and the Committee therefore agreed that the provisions for education grants and travel on home leave could be reduced by \$2,300 and \$4,700 respectively as a result of the difference in entitlements.

#### Travel on official business

48. The Committee reviewed the provision for travel on official business and, while taking into consideration ACABQ's recommendation in this connexion, recognized that the stabilization of the 1973 estimate at the 1972 level was already creating problems for the Centre and agreed to accept the item without modification.

Permanent equipment

49. The Committee considered the estimate for permanent equipment which showed an increase of \$4,700 as compared to the 1972 appropriation. A representative of the secretariat pointed out that the Centre was moving in October 1972 from the five different premises occupied at present to one single location. These new premises contained standard minimum furniture which needed to be supplemented, and the Committee agreed that this provision, containing what could be considered first establishment costs, should stand.

General expenses

50. Some members of the Committee felt that there was some scope for economies in the estimates for general expenses, particularly with regard to postage, cables and long-distance calls, and books and information material. A representative of the Centre informed the Committee that the nature of the Centre's work, particularly with respect to directing operational field activities, called for greater use of cable communication in order to ensure rapid and efficient programme delivery. The statements of budgetary position at 30 September 1972 indicated that by 31 December 1972 expenditure for the current year on cables and long-distance calls and on postage would exceed the 1973 provision. With regard to books and information material, the budgetary position allowed no further expenditure after 30 September 1972. The Committee agreed therefore to accept the estimates without reduction.

Printing

51. In reply to questions, a representative of the Centre informed the Committee that replies to the International Trade FORUM readership survey were still being received, and it was not yet possible to make a final estimate of economies that could be achieved by deletion of names from the mailing list. However, in an effort to meet to some extent the recommendations made by ACABQ in this respect, the secretariat was prepared to reduce the number of pages of each issue of the quarterly International Trade FORUM from 48 to 40, thus achieving savings of \$5,000.

Further savings of \$5,000 could be made by reducing the printing run of FORUM from 30,000 to 15,000 copies. It was understood that, in view of the fact that the aim was to obtain for the FORUM a large, interested developing country readership and any reduction in circulation resulting from the readership survey would be compensated in the long term by the addition of valid new addresses, the reduction of the printing run in 1973 should be considered as only a temporary measure. With regard to the possibility of reducing the number of pages of market surveys and handbooks as had been recommended by ACABQ, the Committee recognized that the nature of these publications did not permit a shortening of the text without damaging their aims and objectives. However, in order to make economies, the Director (Programmes) of the Centre proposed to reduce the number of surveys to be issued in 1973 from four to three, thereby reducing the estimate by \$6,000. Total savings of \$16,000 were therefore agreed under this heading although some members stated that they were not in favour of these economies which would result in programme reduction and would thus go beyond the recommendations of ACABQ.

#### IV. OTHER MATTERS

##### Overhead costs relating to extra-budgetary projects

52. During its examination of Part II of the estimates, the Committee heard a brief exposé of the arrangements with regard to the accrual of and reimbursement for overhead costs in connexion with the execution by the Centre of projects financed from UNDP funds. A representative of the Centre explained that the exact entitlement to reimbursement of overhead cost in 1972 of UNCTAD, as executing agency of UNDP projects administered by the Centre, would not be calculated until the 1972 accounts were closed in 1973. Throughout the year UNDP paid advances to the United Nations for projects executed by UNCTAD, including those executed through the Centre, against the entitlement on the basis of its best estimates of what the actual level of that entitlement would be. Computation of overhead cost was very complex and, although the fraction of backstopping covered by the regular budget was not known, the total cost of backstopping was certainly superior to 13 per cent of project expenditure. The whole question of cost measurement was at present under review within UNDP with a view to making possible a more accurate measurement of overhead costs incurred.

53. Some members of the Committee had believed that the Centre would receive through UNCTAD 10 per cent of project expenditure in reimbursement for overhead cost incurred on its administration of UNDP projects, but the estimates for 1973 indicated that only some 6.4 per cent was anticipated. This was a deterioration of the situation that had prevailed in 1971 and 1972 when overhead had amounted to approximately 8.5 per cent of project expenditure in those years. It was noted that this deterioration appeared to be due to a calculation of overhead income in 1973 on the basis of project expenditure in 1972, rather than in relation to estimated project expenditure in 1973, and a member of the Committee suggested that the latter formula be used. A representative of the Centre indicated that there had been no agreement for the Centre to receive 10 per cent of UNDP overheads and recalled that other organs, including the Office of Technical Co-operation in New York, were still heavily involved in the administration of numerous UNDP projects executed by UNCTAD through the Centre. According to the United Nations Controller's Office, the normal distribution of overhead reimbursement in such cases would be 40 per cent for project management, 35 per cent for substantive backstopping, and 25 per cent in respect of personnel and other support services.

54. The Committee recognized that the Centre's involvement in respect of project management, personnel and other supporting services varied from case to case. However, the Committee believed that the average input of the Centre should entitle it to a far larger percentage of the total overhead payments on UNDP projects than that anticipated in the 1973 budget. The Committee therefore considered the present situation unsatisfactory and agreed to request the parent bodies of the Centre to take contact with the Controller of the United Nations in order to attempt to secure an improvement in the reimbursement arrangements.

#### Format of the budget

55. Some members of the Committee proposed that, for clarity of presentation, Parts I and II of the budget be amalgamated in one single Part in view of the fact that overhead income fell short of expenditure incurred in the backstopping of extra-budgetary projects financed by UNDP and from voluntary country contributions, and that the burden of overheads not covered by overhead income was carried by Part I. The Committee was of the opinion that this proposal required further study and agreed to take up the matter again at a future meeting.

External audit

56. The Committee noted that the Director-General of GATT intended to make the necessary arrangements with the External Auditor for the final audit of the 1972 accounts of the International Trade Centre UNCTAD/GATT, for an interim audit of the 1973 accounts and for the submission to the CONTRACTING PARTIES and the United Nations General Assembly of the auditor's report for 1972 in accordance with the decision taken by the CONTRACTING PARTIES in 1967. However, it was understood that, in view of the review of the Centre's administration currently in progress, flexibility would exist in connexion with any conclusion reached regarding the 1973 accounts.

V. CONCLUSION

57. The Committee had examined the 1973 expenditure estimates taking into account ACABQ's recommendations but could not agree with the conclusion that economies to the extent of \$48,700 were possible without prejudice to the Centre's work programme. Nevertheless, in order to effect economies, the Committee agreed to reduce the estimates under various budget headings by a total of \$29,900, as detailed above, after having taken into account the additional requirements of \$66,700 referred to in paragraph 40 above. It recognized that the achievement of some of these savings would have an adverse effect on the work programme. Some members stated that they were opposed to savings which adversely affected the work programme and which they felt would be contrary to the advice of the ACABQ that economies could be effected without prejudice to the work programme. Consequently, the Committee recommends to ACABQ an assessed budget level of \$2,305,500.

58. The Committee recommends that the CONTRACTING PARTIES approve the revised estimates of expenditure of the International Trade Centre UNCTAD/GATT for the financial year 1973 in the amount of \$2,305,500 as detailed in Annex II/B. An amount of \$1,138,400 is included under Part V in the budget estimates of GATT on the assumption that \$1,138,400 will be borne by the United Nations, \$2,358 will be transferred from the Surplus Account and \$26,342 will be forthcoming as miscellaneous income. The Committee further recommends that the CONTRACTING PARTIES approve the estimates

of expenditure in Part II of the Centre budget in the amount of \$446,000, on the assumption that this sum will be available from the overhead contributions for extra-budgetary projects financed by UNDP and voluntary contributions. In view of the contingent nature of the estimates under overheads, which are dependent upon the level of extra-budgetary projects under execution and the percentage of overhead contribution allocated to the Centre, it is understood that the expenditure estimates under Part II may be exceeded in parallel with any increase of actual receipts of such contributions to ensure effective backstopping of such projects.

POINTS FOR DECISION:      Paragraph 38  
                                 Paragraph 58

ANNEX I/B

REVISED ESTIMATES OF EXPENDITURE OF THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT  
FOR THE FINANCIAL YEAR 1973

SUMMARY

	<u>Original estimates (ITC/AG/24)</u>	<u>Supple- mentary estimates</u>	<u>Additional requirements due to change of accounting rate effective 1/10/72</u>	<u>Reductions</u>	<u>Revised estimates</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	
<b><u>PART I: SECRETARIAT</u></b>						
<u>Section</u>						
1.	Salaries and wages	1,444,900	37,000	13,600	(6,900)	1,488,600
2.	Common staff costs	379,600	9,700	1,800	(7,000)	384,100
3.	Travel on official business	36,200	-	400	-	36,600
4.	Hospitality	1,000	-	-	-	1,000
5.	Permanent equipment	15,000	-	100	-	15,100
6.	General expenses	308,000	-	3,200	-	311,200
7.	Printing	84,000	-	900	(16,000)	68,900
	Total Part I:	<u>2,268,700</u>	<u>46,700</u>	<u>20,000</u>	<u>(29,900)</u>	<u>2,305,500</u>
<b><u>PART II: OVERHEAD COSTS RELATING TO EXTRA-BUDGETARY PROJECTS</u></b>						
<u>Section</u>						
8.	Salaries and wages	384,000	-	-	-	384,000
9.	Travel on official business	50,000	-	-	-	50,000
10.	General expenses	12,000	-	-	-	12,000
	Total Part II:	<u>446,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,000</u>
	Grand Total	<u>2,714,700</u>	<u>46,700</u>	<u>20,000</u>	<u>(29,900)</u>	<u>2,751,500</u>

ANNEX II/B

REVISED ESTIMATES OF EXPENDITURE OF THE  
INTERNATIONAL TRADE CENTRE UNCTAD/GATT.  
FOR THE FINANCIAL YEAR 1973

DETAILED SCHEDULES

Amount in US dollars

PART I: SECRETARIAT

Section 1 - Salaries and Wages

(i)	Established posts	1,402,600
(ii)	Consultants and temporary assistance	80,000
(iii)	Overtime and night differential	6,000

Total Section 1: 1,488,600

Section 2 - Common Staff Costs

(i)	Dependency allowance	52,500
(ii)	Education grants and related travel	21,300
(iii)	Contributions to the United Nations Joint Staff Pension Fund	222,800
(iv)	Travel and removal expenses on appointment and separation	7,000
(v)	Installation grants	6,000
(vi)	Travel on home leave	36,100
(vii)	Separation payments	8,200
(viii)	Other common staff costs	30,200

Total Section 2: 384,100

	<u>Amount in US dollars</u>
Section 3 - <u>Travel on Official Business</u>	36,600
Section 4 - <u>Hospitality</u>	1,000
Section 5 - <u>Permanent Equipment</u>	15,100
Section 6 - <u>General Expenses</u>	
(i) Rental of premises and related expenses	181,500
(ii) Maintenance of equipment and cars	8,100
(iii) Cables and long-distance calls	12,100
(iv) Telephone (rental and local calls)	10,100
(v) Postage and freight	47,500
(vi) Stationery and office supplies	20,200
(vii) Books and information material	14,100
(viii) Insurance premiums	6,000
(ix) External audit	4,000
(x) Miscellaneous supplies and services	7,600
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Total Section 6:	311,200
Section 7 - <u>Printing</u>	68,900
	<hr/>
Total Part I:	2,305,500
	<hr/>
PART II: <u>OVERHEAD COSTS RELATING TO EXTRA-BUDGETARY PROJECTS</u>	
Section 8 - <u>Salaries and Wages</u>	384,000
Section 9 - <u>Travel on Official Business</u>	50,000
Section 10 - <u>General Expenses</u>	12,000
	<hr/>
Total Part II:	446,000
	<hr/>
Grand Total	2,751,500
	<hr/> <hr/>

ANNEX III/B

REVISED ESTIMATES OF INCOME OF  
THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT  
FOR THE FINANCIAL YEAR 1973

Amount in US dollars

GATT contribution	1,138,400
United Nations contribution	1,138,400
Transfer from Surplus Account	2,358
Miscellaneous income	26,342
Contributions towards overhead costs relating to extra-budgetary projects	<u>446,000</u>
	<u><u>2,751,500</u></u>