

GENERAL AGREEMENT ON TARIFFS AND TRADE

REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

1. The Committee on Budget, Finance and Administration met at the Centre William Rappard, Geneva, on 25 May 1978.
2. The Committee was chaired by Mr. J.N. Feij of the Netherlands and the following eleven members attended:

Australia	Germany, F.R.	Switzerland
Brazil	Israel	United Kingdom
Canada	Japan	United States
France	Nigeria	

Timetable for submission of the 1979 GATT budget proposals

3. The Director-General informed the Committee that repercussions on the 1979 budget, devolving from the multilateral trade negotiations, could not be assessed until the negotiations had reached their final stage in July. For this reason, it would not be possible to circulate the 1979 GATT budget estimates before the middle of August 1978 instead of, as was normally the case, at the beginning of July. It was noted, however, that the Committee's examination of the budget proposals could take place in the first half of October, as usual.

Financing of GATT Commercial Policy Training Courses

4. In the context of the 1979 budget estimates, the Director-General informed the Committee that UNDP had proposed that, as from 1979, the GATT Commercial Policy Training Courses be financed from country programming funds rather than from inter-regional project funds as at present. If this change was made the high standards of quality and the balanced selection of participants in the courses could suffer as each country would then allocate funds directly for their participation in the courses. If a country had higher priorities, no funds would be allocated in respect of the courses,

even if the need for their participation in them was real. Conversely, other countries might propose several candidates and it might be difficult to refuse their selection. The Director-General had approached UNDP in order to reach a satisfactory solution and he expected a reply shortly. In these circumstances, and taking into account the fact that UNDP's proposal was not to be considered as questioning the validity of the courses, it might become necessary for the CONTRACTING PARTIES to decide whether to accept the new procedure if maintained by UNDP, with its disadvantages, or to provide GATT budgetary funds to finance the courses. The Committee noted that the total cost of the courses per year was approximately SwF 600,000, representing some SwF 15,000 for each participant for a four and a half month's stay.

5. In answer to questions, the Director-General informed the Committee that twenty participants was considered to be an optimum number to maintain the quality of each course, for which frequently as many as 60 applications were received.

General Service category staff salaries

6. With regard to General Service category staff salaries, the Director-General recalled that the Executive Heads of the Geneva-based organizations had implemented recommendations of the International Civil Service Commission (ICSC) by modifying the salary scales applicable to staff in the General Service category with effect from 1 January 1978. As a result, claims had been made by the staff to the administrative tribunal of ILO in the case of GATT, WHO and WMO staff, and that of the UN in the case of the UN staff. Further, the Governing Body of the ILO, whose competence includes the approval of salary scales applicable to the ILO staff, requested the opinion of its administrative tribunal with regard to the legality of the new salary scales for General Service category staff. This opinion had just been rendered and would be published shortly, but decisions with respect to the cases submitted by the staff could not be expected until later in the year.

United Nations Joint Staff Pension Fund matters

7. Outlining the present situation with regard to staff pensions, the Director-General referred to it as intolerable. Pensions for some staff retiring from Geneva were now lower than 50 per cent of take-home pay on retirement, and sometimes as low as 40 per cent, as compared to 70 per cent or even as high as 75 per cent in the dollar area. In addition,

purchasing power for staff retiring in non-dollar areas was declining continually. A further difficulty was the differential between pensionable remuneration of staff in the General Service category and those in the Professional category which had become unbalanced to such a point that at present the pensionable remuneration of a general service staff member at the G.7 level was equivalent to that of a Director at the D.1 level. This situation, which was due almost entirely to the lack of a stable accounting unit, made good administration and healthy management almost impossible and the differences between situations at different duty stations made the common system a myth.

8. The Chairman of the GATT Staff Pensions Committee then gave further information regarding problems presently faced in countries such as Switzerland where there had been substantial revaluation of the local currency vis-à-vis the dollar.

9. As pensions were determined on the basis of the average of annual pensionable remuneration in dollars over the last three years of service, such an average obviously fell in Swiss franc terms with each fall in the value of the dollar. Whilst a system existed whereby dollar pensionable remuneration was adjusted in line with a worldwide average of post adjustment movements, Geneva, for the past seven years being always at the extreme end of the fluctuation, was much less than fully compensated by the averaging system. Staff members retiring after 1971 had consequently often received initial pensions substantially lower than those of their colleagues with similar grade and length of service retiring earlier. On the other hand, in those areas where the currency was stable vis-à-vis the dollar, the increase in pensionable remuneration provided a substantial benefit.

10. Adjustments to pensions in payment had been made from time to time, but again on the basis of averages which clearly could only prevent some of the deterioration of the value of pensions in Geneva, but certainly had not given added benefits which had gone only to those unaffected by currency losses. In 1975, pensioners were given the option of taking their pension in dollars calculated in the normal way and adjusted from time to time on the basis of the worldwide movement of the weighted average of post adjustment, or they could take their pension in local currency, converted at a twelve-month average local currency/dollar exchange rate, adjusted thereafter in line with movements in the local consumer price index. Those in Geneva who chose the first method met only disaster. Those living in areas unaffected by the currency changes

benefited each time the weighted average went up following upward movements of the Swiss franc and higher post adjustment classes in Switzerland. Those who chose the Swiss franc pension adjusted by the local cost-of-living factor had experienced some stability, even if they started from a position of loss from the fact that the twelve-month exchange rate average on which the initial pension was based did not by any means put them anywhere near equality in purchasing power with colleagues retiring in weaker currency areas. In fact, pensions in Geneva had risen by only about 10 per cent since 1971 against a 50 per cent increase in living costs over the past seven years.

11. It had now been recognized that the twelve-month average exchange rate formula used to establish the initial pension in local currency could not continue. The events of the last months of 1977 and the first months of 1978 severely cut this average rate, with the result that staff members retiring this year were receiving less and less compared with colleagues who had retired earlier, not to mention the comparison with colleagues in other areas. It had, therefore, been proposed that in future pensioners would have a choice between taking the normal dollar pension adjusted by the United States cost-of-living index or a pension in local currency using a thirty-six month exchange rate average with subsequent adjustments based on the local cost-of-living index. Clearly, this latter option would help, but could only be a temporary measure, for without a substantial increase in the value of the dollar this average, too, would month by month lose the beneficial effect it was designed to provide.

12. A fundamental restructuring of the pension system was needed, and once this year's palliatives had been agreed every effort would be made by the GATT Staff Pension Committee to ensure that the UN Pension Board and the International Civil Service Commission undertook a fundamental revision of the whole system.

Pensionable remuneration upon promotion from the General Service category to the Professional category

13. The Committee was informed that, under the existing conditions in Switzerland, promotion from the General Service to the Professional category resulted, in principle, in a reduction in the level of pensionable remuneration. This was due to the fact that practically all the components of the remuneration of general service staff members were pensionable, whilst an important part of the total remuneration of a professional staff member, the post adjustment, was not.

14. In order to protect those staff members not wishing to have their pensionable remuneration reduced upon promotion, the Consultative Committee on Administrative Questions (CCAQ) agreed some years ago (Ref. CO-ORDINATION/R.733) that each organization should take ad hoc action by adopting the following guideline:

"Where a promotion from the General Service to Professional category would result in a reduction in the level of the pensionable remuneration, this remuneration may, at the option of the official, be maintained at its previous level (with contributions accordingly) until such time as this level is surpassed by the level of pensionable remuneration in the new or higher grade."

This guideline was adopted by four organizations in Geneva (WHO, ITU, ILO and WMO). Staff members in these organizations promoted from the General Service to the Professional category were consequently free to choose between the previous (higher) level and the post-promotion (lower) level of pensionable remuneration.

15. The United Nations, whose Staff Rules GATT followed, did not associate itself with the advice given by CCAQ. The pertinent Staff Rule, 103.16(c), stipulated that "the level of pensionable remuneration reached prior to the promotion shall be maintained until it is surpassed by the level based on the staff member's salary in the Professional category", leaving the staff member so promoted without freedom of choice as obtaining in the majority of organizations in Geneva.

16. As the Director-General had indicated, the disparity between the pensionable remuneration of senior general service staff and professional officers had reached proportions which rendered it awkward and illogical in every case to follow indiscriminately the rigid rule of the United Nations in the matter, and in particular in those instances where the staff members so promoted were of a relatively young age. Therefore, the Director-General proposed that with effect from 1 July 1978, staff members on promotion from General Service to the Professional category would be allowed to opt for the pensionable remuneration of their choice in accordance with the CCAQ guideline quoted in paragraph 14 above and in conformity with the practice followed by the majority of the Geneva-based organizations.

17. The implications of this recommendation in financial terms, if any, would be to decrease slightly the organization's expenditures since it would have the effect of reducing GATT's contribution to the Pension Fund on behalf of those staff members desirous of accepting the option offered.

18. The Committee recommends that the CONTRACTING PARTIES approve that, with effect from 1 July 1978, staff members promoted from the General Service to the Professional category be allowed to opt for the pensionable remuneration of their choice in accordance with the CCAQ guideline and in conformity with the practice followed by the majority of the Geneva-based organizations.

Building Fund

19. The Director-General informed the Committee that the entire Building Fund amount of SwF 6.2 million was now fully obligated and that payments were now nearing completion, apart from amounts held in reserve subject to final acceptance tests. The Committee noted that no further funding would be necessary and that a final report would be prepared by the secretariat.

International Trade Centre accommodation

20. A representative of the Centre informed the Committee that the text of the agreement with the "Fondation des immeubles pour les organisations internationales" (FIPOI) concerning the premises to be made available to the Centre at rue de Montbrillant in Geneva had just been received and would be signed shortly. The lease would be of twenty years duration and the rent, and subsequent increases, would be controlled by the Geneva authorities through FIPOI. The building was expected to be ready for occupancy by the Centre during the second quarter of 1980. In the meantime, the Centre's secretariat would occupy one-and-a-half floors of the ILO building where it would be installed by the end of August 1978.

International Trade Centre 1976-1977 budgetary adjustments

21. The Committee noted that as the result of an adjustment made by the Fifth Committee of the General Assembly of the United Nations, the total estimated requirements for 1976/1977 of the International Trade Centre UNCTAD/GATT had been increased by US\$157,200 to US\$10,494,800 to take account of the US dollar/Swiss franc exchange rate movements subsequent to the preparation of the Centre's performance report (document ITC/OD/BUD/5/Rev.1). As a result of this increase an additional GATT contribution of US\$78,600 to the Centre in respect of 1977 was required, representing GATT's 50 per cent share of the increase, bringing GATT's total contribution to the Centre for 1977 to US\$2,682,700. The Committee further noted that the additional contribution could be met from Part V - Section 1 of the 1977 GATT budget as a reserve had been made for this purpose.

22. In this connexion, the Committee expressed surprise that the adjustments had been made by the Fifth Committee without consultation either with GATT or with the Centre and it appeared that the Centre did not require the additional funds. It was to be hoped that, in the future, the normal procedure would be followed, i.e. that budgetary adjustments should be initiated by the Centre.

23. The Committee recommends that the CONTRACTING PARTIES approve the revised estimates of the International Trade Centre UNCTAD/GATT for the biennium 1976/1977 in the amount of US\$10,494,800 (1976: US\$5,081,400; 1977: US\$5,413,400). For 1977 the GATT share amounts to US\$2,682,700 on the assumption that a like amount will be borne by the United Nations and that US\$11,000 will be transferred from Surplus Account and that US\$37,000 will be forthcoming as miscellaneous income.

Points for decision: Paragraph 18
 Paragraph 23