

GENERAL AGREEMENT ON TARIFFS AND TRADE

REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

CONTENTS

	<u>Page</u>
INTRODUCTION	1
A. GATT SECRETARIAT	4/5
I. REPORT ON THE 1977 ACCOUNTS AND REPORT OF THE EXTERNAL AUDITOR THEREON	4/5
II. FINANCING OF THE 1978 BUDGET	4/5
III. ESTIMATES OF EXPENDITURE FOR 1979	6
Meetings	6
New posts	7
Regradings	7
Temporary assistance	8
Common staff costs	8
Common services	9
Printing	9
Representation and hospitality	10
Permanent equipment	10
Multilateral Trade Negotiations	10
Commercial Policy Training Courses	10
Contribution to the International Trade Centre UNCTAD/GATT	11
IV. INCOME BUDGET ESTIMATES FOR 1979	12
V. OTHER MATTERS	12
Exchange rate problems	12
Pension Fund matters	13
Staff Assistance Fund	13
GATT accommodation	13
External audit	14
VI. CONCLUSION	14
Draft Resolution on the expenditure of the CONTRACTING PARTIES in 1979 and the ways and means to meet such expenditure	15

CONTENTS (cont'd)

	<u>Page</u>
SCHEDULE I - SUMMARY OF REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1979 . . .	16
SCHEDULE II - DETAILED SCHEDULES OF REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1979 . . .	18
SCHEDULE III - SCALE OF CONTRIBUTIONS FOR 1979	22
ANNEX I - OUTSTANDING CONTRIBUTIONS AS AT 30 SEPTEMBER 1978	25
ANNEX II - STATEMENT OF THE PRESIDENT OF THE STAFF COUNCIL	26
ANNEX III - REPORT BY THE REPRESENTATIVE OF THE CONTRACTING PARTIES ON THE ICITO/GATT PENSION COMMITTEE	33
B. INTERNATIONAL TRADE CENTRE UNCTAD/GATT	35
FIRST PERFORMANCE REPORT ON THE PROGRAMME BUDGET OF THE INTERNATIONAL TRADE CENTRE FOR THE BIENNIUM 1978-1979	35

INTRODUCTION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 2 March 1977, met at the Centre William Rappard, Geneva, from 9 to 13 October 1978.

2. The Committee was chaired by Mr. J.N. Feij of the Netherlands and the following thirteen members attended:

Australia	Germany, Fed. Rep.	Nigeria
Brazil	Hungary	Sweden
Canada	Israel	Switzerland
France	Japan	United Kingdom
		United States

Italy and Malaysia were represented by observers.

3. In accordance with its terms of reference, the Committee considered the Director-General's Financial Report on the 1977 Accounts of the GATT and the Report of the External Auditor Thereon (L/4638 and Corr.1) and the GATT Budget Estimates for the Financial Year 1979 (L/4690). In addition, the Committee examined the financial position of the GATT as at 30 September 1978 on the basis of outturn figures prepared by the secretariat. The Committee also had before it the following working papers:

Outstanding Contributions as at 30 September 1978 (Spec(78)20)

Exchange Rate Problems (INT(78)37)

Pension Fund Matters (L/4700)

Staff Assistance Fund (INT(78)41)

First Performance Report on the International Trade Centre
UNCTAD/GATT Programme Budget for the Biennium 1978/1979
(ITC/OD/BUD/6 and INT(78)38)

4. At the commencement of the meeting the Committee heard an introductory statement by the Director-General. He stated that the preparation of the 1979 estimates had not been easy. When and under what conditions the trade negotiations would finish was not known, neither was it possible to foresee with precision the intensity of the tasks which GATT would encounter in a climate of growing world trade tension. Nevertheless, leaving aside the budget of the International Trade Centre, he had allowed no overall increase over 1978 for the GATT secretariat. All essential increases had been offset by reductions elsewhere in the budget and the overall increase of SwF 534,000 was entirely due to the increased needs of the Centre. The budget proposals were now modified, however, by the revised estimates presented by the Centre which resulted in a reduction of the GATT contribution to the Centre's 1979 budget of SwF 342,000. On the other hand, it was now necessary to propose an increase of SwF 136,000 in respect of pension fund contributions for staff in the professional and higher categories as a result of the movement of the

Weighted Average of Post Adjustment classifications (WAPA). The net result of these adjustments was a reduction of the proposed estimates for 1979, including the Centre, to SwF 38,913,000.

5. With regard to staffing requirements, the Director-General recalled that it had been intended last year to establish requirements for 1979 on the basis of an organizational chart of the post-MTN secretariat but for reasons that were evident this had not been possible. He had, nevertheless, assumed a considerable reduction of work for the MTN after the end of 1978 and had proposed the suppression of 13 professional and 8 general service posts established under the Trade Negotiations credits. However, whatever the outcome of the MTN the secretariat would have to face up to the new tasks undertaken by the CONTRACTING PARTIES over recent years, particularly in the fields of non-tariff measures and agriculture and for technical assistance for developing countries, and he had provided for the consolidation into the permanent establishment of 7 professional posts from the Trade Negotiations credits. This would enable him to offer longer-term employment to the staff of higher calibre, especially recruited for the Trade Negotiations and to attract the best candidates from outside on the basis of external vacancy notices.

6. In addition, the Director-General had proposed the consolidation of 2 professional translator posts and 11 general service posts for technicians, clerks, messengers and guards which had no financial impact on the budget and were mainly in respect of posts for which the permanent need was now beyond question.

7. In connexion with the GATT Commercial Policy Training Courses, the Director-General reminded the Committee that at its May meeting he had advised of possible adverse effects of UNDP's proposal to finance the courses from 1979 from country programming funds rather than inter-regional project funds. In order to protect the high standards of quality and the balanced selection of participants for the courses he had been trying to find a satisfactory solution, together with the administrator of UNDP. Unfortunately until now UNDP had not been in a position to find an adequate procedure and there was no option than to provide the necessary funds from the GATT budget.

8. Referring to the current financial situation, the Director-General stated that the 1978 budget was expected to close with savings amounting to approximately 1.4 million Swiss francs, but he stressed that this was an estimate and should be regarded as provisional. The level of outstanding contributions was even higher than in previous years and the Director-General appealed to those contracting parties who had not yet paid their contributions to do so immediately. Unless a substantial part of the arrears was forthcoming before the end of the year, liquidity problems would occur. He asked the Committee to consider more energetic action with respect to those contracting parties that were consistently in arrears.

9. The Director-General drew the Committee's special attention to proposals that he had made with respect to the adverse effects of exchange rate fluctuations on take-home-pay and pensionable remuneration of staff in the professional category. These proposals did not entail additional cost to the budget and were in line with the recommendations made by the International Civil Service Commission to the United Nations General Assembly for the prevention of further erosion of dollar-based dependency allowances and the education grant by setting Swiss franc "floors" for these allowances. His proposals were similar to arrangements in force in other organizations of the common system.

10. With regard to pensions, the Director-General referred to examples of injustice which he had given at the Committee's May meeting and which demonstrated that the situation was scandalous. Since then the situation had further deteriorated and was now revolting. The WAPA index averaged out cost-of-living factors and exchange rate variations at different duty stations and this had led to the absurd situation where New York was currently at a pensionable remuneration level of 115 per cent on the basis of 100 per cent at 1 July 1977, while Geneva was at 72 per cent. In January 1979, when the latest adjustment would come into effect, and assuming that the exchange rate remained at its present level, New York would move to 125 per cent and Geneva to 75 per cent. In practice this meant that GATT's additional requirements of SwF 136,000 were essentially to the benefit of New York staff. The members of the Committee had often expressed sympathy with and understanding of these problems in the past, but had not felt able to accept proposals that, in their opinion, deviated from what is still called the common system. This was insufficient and the Director-General must now insist on concrete action.

A. GATT SECRETARIAT

I. REPORT ON THE 1977 ACCOUNTS AND REPORT
OF THE EXTERNAL AUDITOR THEREON

11. The Committee examined the Report on the 1977 Accounts and the Report of the External Auditor Thereon (L/4638):

12. The Committee recommends that the CONTRACTING PARTIES approve the audited accounts for 1977 and convey to the External Auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of these accounts.

II. FINANCING OF THE 1978 BUDGET

13. The Committee noted that, on the basis of the outturn figures prepared by the secretariat, the 1978 accounts were likely to close with a budgetary year-end surplus of some SwF 1,400,000. Some members were of the opinion that part of this anticipated surplus should be allocated to the 1979 income budget rather than following the normal practice in GATT whereby the realized surplus would be earmarked for 1980. However, the Committee was aware that arrears of contributions of some SwF 7.9 million were outstanding at 30 September 1978 as compared to approximately SwF 5.2 million at the same time last year. Although SwF 253,881 had been received since 30 September from Italy, Ivory Coast and Rwanda, and the payment of SwF 2.7 million was announced from the United States of America, the situation continued to be very serious and, unless a further considerable proportion of the arrears were forthcoming before the end of the year, the expected budgetary savings would have to be used to partially compensate the resulting deficit. It was therefore agreed that the situation be reviewed by the secretariat, both with regard to expected budgetary savings and contributions in arrears, before this report was submitted to the Council. If a significant change had taken place by that time, a suitable recommendation would be made to the Council.

14. The Committee considered ways and means of persuading governments in arrears to pay their outstanding contributions and came to the conclusion that, in order to draw the particular attention of contracting parties to this situation, a statement of arrears should be examined by the Council in June or July each year in the hope that governments would be encouraged to pay their contributions in due time. Further, the Committee urged the Director-General to continue to take every opportunity to make personal contacts with responsible government officials, at delegations and in capitals, and to encourage governments whose contributions were several years in arrears to make regular instalment payments in order to settle their arrears at the earliest possible opportunity. In this connexion, the

Committee noted that one government whose contributions had been several years in arrears had commenced making instalment payments in 1978. The Committee agreed to recommend to the Council that Governments again be urged to pay pending contributions as soon as possible and to pay each year's contribution as early as possible in the year in which it falls due.

15. In response to questions regarding over-expenditure on some items in 1978, the Committee was informed that the Director-General had authority to transfer funds between sections to meet such over-expenditure, except where this authority had been specifically derogated, subject to subsequent approval by the Council. The Council's approval was not necessary for transfers within sections. In this connexion, some members of the Committee were of the opinion that thought should be given to the possibility of setting limits on over-expenditure on individual budget items.

III. ESTIMATES OF EXPENDITURE FOR 1979

16. Before the Committee commenced its item-by-item examination of the 1979 expenditure estimates, some members stated that, while they appreciated the efforts that had been made by the Director-General to produce a zero-growth budget, their authorities were of the opinion that, in effect, an increase was offset particularly by the deletion, for instance, of the provision for the Building Fund and the reduction of the MTN credits. They also drew attention to the fact that even with a zero-growth budget, a Swiss franc contribution represented a substantial increase when calculated in their national currencies. In these circumstances, they felt that economies could be made on some items especially as a detailed examination of the estimates for the past few years, compared to outturn, seemed to indicate that there had been a consistent tendency to over-estimate under certain headings. A representative of the secretariat stated that under-expenditure in recent years' budgets was influenced to a large extent by the effect of the erosion of the US dollar which had a negative effect on take-home-pay and pension fund contributions.

Meetings

17. Most members of the Committee felt that, taking into account expenditure figures for the past few years, the increase proposed by the Director-General in the estimates for the Session and for other meetings was not justified and suggested that they be substantially reduced.

18. A representative of the secretariat informed the Committee that the provision for sessions of the CONTRACTING PARTIES had been established after consultation with government officials at the policy-making level on the assumption that a special Session of several days would be necessary for the consideration of matters arising from the conclusions of the Trade Negotiations. In answer to questions, he stated that, in the special circumstances which were created by the end of the negotiations, it was not

possible to foresee meeting activity in 1979 with any great precision. It was already clear that a considerable amount of meeting activity would be generated by the preparation and the implementation of the results of the Trade Negotiations.

New posts

19. The Committee noted that the need for the 7 professional posts proposed for consolidation from the Trade Negotiations into the permanent establishment was largely based upon additional tasks and responsibilities expected to accrue to the secretariat, resulting from the increased involvement of the CONTRACTING PARTIES in certain areas, particularly in the fields of non-tariff measures, agriculture and technical assistance to developing countries. At its request, provisional job descriptions for these posts were made available to the Committee.

20. In answer to questions, the representative of the secretariat assured the Committee that the permanent need for these posts would be re-examined within the context of the overall organizational chart for the post-MTN secretariat to be prepared by the Director-General. With regard to the recruitment procedures to be applied for filling the posts, vacancy notices would be issued which would result in competition between the best of the present Trade Negotiations staff and the best candidates from outside.

21. Notwithstanding these considerations, the members of the Committee felt that the consolidation of 4 posts in 1979 and the reconsideration of the consolidation of the remaining 3 posts in the 1980 budget would be wiser. This would enable a more flexible personnel policy to be applied and would allow for a better appraisal of the merits of the 3 posts to be made when a clearer picture of the tasks to be performed was to hand. The posts to be consolidated in 1979 were the following:

1 Counsellor, P.5)	
1 Counsellor, P.4)	Operational Departments
2 Economic Affairs Officers, P.3)	and Divisions

22. The Committee agreed that, if necessary, it would review the consolidation of the remaining 3 posts at its spring session, when it met to consider the 1980-1981 budget of the International Trade Centre. This would allow the secretariat to initiate the necessary recruitment action for filling the posts as from January 1980.

Regradings

23. In answering questions regarding the proposed regradings, a representative of the secretariat reminded the Committee that in view of the small size of the GATT secretariat it was not directly comparable to larger organizations where different personnel management techniques were often employed. For example, the grading of a post such as the Head of Technical

Services, which appeared in the 1979 budget estimates, could not be compared directly to similar posts in larger organizations where responsibilities were often of a much wider scope and sometimes graded as high as D.1. The Committee approved the regradings as proposed on the understanding that the post of interpreter would revert to its former grade when vacated by its present incumbent.

Temporary assistance

24. Some members of the Committee referred to the fact that the overall estimates for temporary assistance, including MTN provisions, represented more than 10 per cent of the total GATT budget. It was pointed out that the temporary assistance credits had increased over the last few years even though some posts were consolidated into the permanent establishment from time to time. They were of the opinion that ceilings had been reached and that a reduction of the estimate by, say, 5 per cent should not create difficulties for the secretariat in carrying out its work programme.

25. A representative of the secretariat pointed out that the 1979 estimates had been based in the first instance upon actual requirements in 1978. He reminded the Committee of the Director-General's continuing policy of meeting requirements for the execution of the work entrusted to the secretariat by the CONTRACTING PARTIES through redeployment of available staff resources supplemented by the use of temporary assistance on an ad hoc basis. This had always been considered as the most flexible and economical approach. As the budget estimates were calculated very closely, cuts could not be made to them without damaging the secretariat's effectiveness. In answering questions regarding whether the amount for overtime could not be reduced, the representative of the secretariat explained that actual 1977 expenditure had been 4 times greater than the provision and 1978 expenditure was expected to reach twice the provision. Part of this overtime was absolutely essential for the preparation of meeting rooms and documentation for meetings but the Director-General was making every effort to ensure that expenditure of this kind was kept at a bare minimum.

26. Several members of the Committee regretted that it did not prove possible to make cuts in the overall estimates for temporary assistance. They reiterated the view that ceilings had been reached, that the 1980 provisions for temporary assistance should not exceed the level provided for in this year's regular GATT budget and that the Committee would be examining the question carefully next year.

Common staff costs

27. The Committee noted that in addition to the amount provided in the budget estimates for Common Staff Costs, a further amount of SwF 136,000 was required for Contributions to the United Nations Joint Staff Pension Fund in respect of pension fund contributions for staff in the professional and higher categories and agreed to increase the provision accordingly. This

additional requirement resulted from the movement of the Weighted Average of Post Adjustment Classifications (WAPA), from which pensionable remuneration for this category of staff was regulated, to 25 per cent above the 1 January 1977 level with effect from 1 January 1979.

Common services

28. A representative of the secretariat informed the Committee that most increases and decreases in respect of the provisions for rental and maintenance of premises and equipment were adjustments on the basis of one year's occupancy of the Centre William Rappard. In the case of the item for maintenance, an amount of SwF 250,000 covered minor adjustments to the telephone, lighting and air-conditioning systems and the correction of acoustical and other minor faults. The increase for cables, telex and telephone communications resulted from a change in the system of charging for local telephone calls and the fact that the secretariat now had to pay actual cost rather than the token amount charged by the United Nations when the secretariat occupied the Villa Le Bocage and its annexes.

29. The Committee was of the opinion that economies could be realized on certain common services items. After consultations with the representatives of the secretariat, it was agreed that the following reductions could be made: SwF 10,000 on the item for heating, taking into account present fuel prices; SwF 74,000 on the item for maintenance expenditure by delaying some of the minor adjustments referred to above.

30. The Committee also considered the possibility of reducing the item for Other Services and Miscellaneous Expenditure by some SwF 50,000. A representative of the secretariat pointed out that this item covered the cost of all GATT's electronic data processing activities, through the International Computing Centre. It also included the cost of rental of special typewriters as well as an amount to cover part of the cost of an accounting machine. This machine is being acquired on a hire-purchase basis in order to profit from a longer period of guarantee and the possibility of adapting to future requirements.

Printing

31. One member of the Committee stated that there was a tendency to over-estimate the provision for printing over the last two or three years and his authorities were of the opinion that economies of some SwF 80,000 could be made on this item. Other members agreed that global economies could be made. A representative of the secretariat pointed out that the under-spending of the estimate for the last three years was mainly due to the fact that each of the estimates contained provisions for the printing of Comparative Tabulations resulting from the Tariff Study, Certification of changes to schedules and GATT, What it is, which had not been used. The Committee, nevertheless, agreed to reduce the estimate by SwF 80,000 by delaying the production of the Comparative Tabulations or by reproducing them by cheaper

methods. One member of the Committee accepted this reduction on the understanding that technical assistance to developing countries in the form of printed matter would not be prejudiced which was confirmed by a representative of the secretariat.

Representation and hospitality

32. The Committee agreed that the estimates for representation and hospitality be reduced by SwF 2,000 to the 1978 level and that, if necessary, funds could be transferred from the MTN hospitality item to meet deficiencies up to an amount of SwF 2,000.

Permanent equipment

33. Several members of the Committee thought that the provision for furniture and equipment for conference rooms could be reduced and that the provision for carpeting for the corridors of the Centre William Rappard should be deleted. A representative of the secretariat explained that the additional furniture for the conference rooms was complementary to the present furniture and would allow greater flexibility in adapting the conference rooms to the differing requirements of different meetings. With regard to the carpeting, several accidents had occurred in the corridors of the building and after experiments with non-slip waxes, the conclusion had been reached that carpeting was essential. It was also desirable from a noise-reducing point of view, as the acoustics in the building were not good, and it represented a good investment for a 20-year occupancy or longer.

Multilateral Trade Negotiations

34. In answer to questions, a representative of the secretariat informed the Committee that reductions had been made in respect of certain items of expenditure under the heading of common staff costs for the Multilateral Trade Negotiations but that in view of the termination of the negotiations it had been necessary to increase the provision for separation payments.

Commercial Policy Training Courses

35. The Committee had been informed on previous occasions of the UNDP proposal to finance the GATT Commercial Policy Training Courses from 1979 from country programming funds rather than inter-regional project funds. The Director-General had stressed the possible adverse effects that this could have on the high standards of quality and balanced selection of participants for the courses. The Committee had noted that the Director-General had been in close and continuous contact with the Administrator of UNDP but that UNDP had not yet been in a position to suggest an adequate procedure.

36. All members of the Committee attached great importance to the courses. Some members, however, were not convinced that a quality deterioration would occur and were of the opinion that UNDP's new method of financing should be

given a trial. One member pointed out that some developing countries were not beneficiaries under the UNDP system of financing, now proposed for the courses. Some countries had relatively low allocations and could not give high priority to participation in the courses while others were not in a position to spare funds for this purpose at all. A possible solution to the problem might be to provide GATT funds for financing some participants if the UNDP method should be found to lead to uneven participation, or even a lack of participation for some countries. Several members of the Committee expressed their concern at the situation and felt that the provision in the GATT budget should only be reduced as a last resort and that the programme should continue at its present level and quality.

37. A representative of the secretariat reminded the Committee that the GATT budget already provided for the cost of the Training Section which administered the courses. The courses were an important instrument for assisting developing countries in taking a fuller part in GATT activities, and participation in them was reserved to government officials already involved in commercial policy or connected areas inside their administrations. The aim was to more deeply acquaint participants with the intricacies and realities of international economic relations and to enable them to see commercial policy in action within the multilateral framework of GATT. Thus, the courses were more of an orientation in the operations of the GATT and of the rules that govern international trade rather than technical assistance in the sense that the term is applied to the development programmes in developing countries. In fact, participation in the courses was not limited to candidates from developing countries. In the absence of satisfactory agreement with UNDP, the Committee accepted the inclusion of SwF 600,000 for the financing of the Commercial Policy Training Courses on the understanding that the Director-General should report to the Council the outcome of his negotiations with UNDP and that the funds be utilized only to the extent that satisfactory funding from UNDP was not forthcoming. Further, in the event of partial or non-utilization of the funds, no transfer of credits to other sections of the budget would be made without the prior approval of the Council. The Committee agreed to review these arrangements after a year's experience of financing the courses in this way.

Contribution to the International Trade Centre UNCTAD/GATT

38. The Committee noted that, as a result of the revised estimates for the International Trade Centre UNCTAD/GATT for the biennium 1978/1979, presented in document ITC/OD/BUD/6, the contribution to be made to the Centre from the 1979 GATT budget was reduced by SwF 342,000 to SwF 7,030,000. Discussions on this matter are reflected in Part B of this Report.

IV. INCOME BUDGET ESTIMATES FOR 1979

39. The Committee agreed that, subject to a re-examination of the anticipated financial situation at 31 December 1978, with a view to the allocation of a possible surplus to 1979 income (paragraph 13), the budget for 1979 be financed as follows:

	<u>SwF</u>
(a) Contributions assessed on contracting parties	37,798,000
(b) Miscellaneous income	758,122
(c) Transfer from 1977 Surplus Account	190,878
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	38,747,000
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V. OTHER MATTERS

Exchange rate problems

40. Upon the request of the Staff Council, the Committee agreed to hear the staff's views on the question of the effect of exchange rate problems on take-home-pay and pensionable remuneration of the professional staff. The Chairman of the Staff Council stated that, after the terms used by the Director-General, it was difficult to emphasize the gravity of the situation further. He referred to the example of injustice given by the Director-General regarding the additional allotment made necessary in the GATT budget by the movement of the WAPA index, which was essentially benefiting the New York staff. He underlined that the pensions system now in application was so grossly unfair that not only this additional allotment but all the contributions by member States and staff members over the last few years had the same effect. He said that the present injustices had lasted for too many years and pleaded for the acceptance by the Committee of the Director-General's proposals. The text of his statement is appended hereto (Annex II).

41. The Committee expressed its sympathy and understanding of the situation but concluded that, in view of its complexity and interrelation with the common system, it needed to be solved by experts within the competent bodies such as the ICSC and the Joint Staff Pension Board. The Committee felt that trying to find a solution applicable to GATT alone would be incompatible with the common system and would undermine the efforts in which their governments were actively participating to find an equitable solution for all organizations within the system. The Committee agreed to suggest to the Council that the Chairman of the CONTRACTING PARTIES be invited to take contact with the Chairman of the United Nations General Assembly in order to convey the CONTRACTING PARTIES' concern with regard to the problems caused by exchange rate developments in past years, which have recently been accentuated, and in particular their effects on the pensionable remuneration of GATT staff.

42. On behalf of the Director-General, a representative of the secretariat expressed regret that the Committee was not able to accept the Director-General's proposals which were to have been limited in time until the ICSC came forward with a solution. His proposals did not call for additional funds above those provided in the 1979 estimates, and were not incompatible with what was already being done within the common system. He said that the time had come for the CONTRACTING PARTIES to fully assume their responsibilities to their staff.

Pension Fund matters

43. The Committee examined document L/4700 and recommends that the Council approve the draft text of an agreement between the United Nations and GATT, annexed to that document, extending the jurisdiction of the Administrative Tribunal of the United Nations to the Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade (ICITO/GATT), with respect to applications by staff members of the ICITO/GATT alleging non-observance of the Regulations of the United Nations Joint Staff Pension Fund.

44. Mrs. E. Michaud, representative of the CONTRACTING PARTIES on the ICITO/GATT Pension Committee, reported on recent developments in the pension situation. She drew particular attention to the Joint Staff Pension Board's meeting in Rome and its unanimous agreement to recommend certain improvements to pensions to the United Nations General Assembly. She urged all contracting parties to ensure that full support be given to these important proposals by their representatives in the General Assembly. The Committee expressed its appreciation to Mrs. Michaud and agreed to urge all contracting parties to give sympathetic consideration to these proposals at the General Assembly. The text of Mrs. Michaud's report is appended hereto (Annex III).

Staff Assistance Fund

45. The Committee noted that the amount of SwF 20,000, provided in Part II, Section 9 of the 1977 GATT budget (L/4370) had been distributed by the Staff Assistance Fund on an ex gratia basis, implying no legal entitlement, to former GATT officials, or their survivors, whose financial situation was causing hardship, particularly as a result of the effect that monetary fluctuations continued to have on pensions. The Committee further noted that the Director-General had approved the Staff Assistance Fund's report on the allocations made in 1977 and that the amount of SwF 20,000 provided in Part II, Section 10 of the 1978 budget (L/4511) was in process of distribution in accordance with the principles applied in 1977.

GATT accommodation

46. The Committee noted that major renovation work at the Centre William Rappard had ended and that acceptance of the work and finalization of payments was in progress. The total Building Fund amount of SwF 6.2 million was completely utilized. A full report on the Fund would be prepared by the Director-General at the end of 1978.

External audit

47. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final audit of the 1978 accounts of the GATT, for the interim audit of the 1979 accounts and for the submission to the CONTRACTING PARTIES of the Auditor's report for 1978 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

VI. CONCLUSION

48. 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 12
Paragraph 14
Paragraph 43
Paragraph 48

DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES
IN 1979 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED

the estimates of expenditure of the CONTRACTING PARTIES for 1979 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 1979, provided that such repayment does not exceed a total of 38,747,000 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 37,798,000 Swiss francs;
 - (b) by miscellaneous income estimated at 758,122 Swiss francs;
 - (c) by transfer from the 1977 Surplus Account of 190,878 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 1979.
4. The contribution 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 1979.

SCHEDULE I

REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1979

SUMMARY

	<u>Original Estimates (L/4690)</u>	<u>Increases/ (Decreases)</u>	<u>Consolidation of 4 MTN posts instead of 7</u>	<u>Revised Estimates</u>	
	<u>SwF</u>	<u>SwF</u>	<u>SwF</u>	<u>SwF</u>	
PART I: <u>MEETINGS</u>					
<u>Section</u>					
1	Thirty-fifth session of the CONTRACTING PARTIES	100,000	-	-	100,000
2	Meetings of the Council and other meetings	514,000	-	-	514,000
	Total PART I:	<u>614,000</u>	<u>-</u>	<u>-</u>	<u>614,000</u>
 PART II: <u>SECRETARIAT</u>					
<u>Section</u>					
3	Salaries and wages and official travel	18,043,000	-	(280,000)	17,763,000
4	Common staff costs	4,279,000	136,000	(35,000)	4,380,000
5	Common services	3,915,000	(84,000)	-	3,831,000
6	Printing	375,000	(80,000)	-	295,000
7	Representation and hospitality	82,000	(2,000)	-	80,000
8	Public information	5,000	-	-	5,000
9	Permanent equipment	350,000	-	-	350,000
10	Contribution to a Staff Assistance Fund	20,000	-	-	20,000
	Total PART II:	<u>27,069,000</u>	<u>(30,000)</u>	<u>(315,000)</u>	<u>26,724,000</u>
 PART III: <u>UNFORESEEN EXPENDITURE</u>					
<u>Section</u>					
11	Unforeseen expenditure	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>

	<u>Original Estimates (L/4690)</u>	<u>Increases/ (Decreases)</u>	<u>Consolidation of 4 MTN posts instead of 7</u>	<u>Revised Estimates</u>
	<u>SwF</u>	<u>SwF</u>	<u>SwF</u>	<u>SwF</u>
PART IV: <u>TRADE NEGOTIATIONS</u>				
<u>Section</u>				
12 Trade Negotiations	<u>3,264,000</u>	<u>-</u>	<u>315,000</u>	<u>3,579,000</u>
PART V: <u>COMMERCIAL POLICY TRAINING COURSES</u>				
<u>Section</u>				
13 Commercial Policy Training Courses	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
PART VI: <u>INTERNATIONAL TRADE CENTRE UNCTAD/GATT</u>				
<u>Section</u>				
14 Contribution to the International Trade Centre UNCTAD/GATT	<u>7,372,000</u>	<u>(342,000)</u>	<u>-</u>	<u>7,030,000</u>
GRAND TOTAL:	<u><u>39,119,000</u></u>	<u><u>(372,000)</u></u>	<u><u>-</u></u>	<u><u>38,747,000</u></u>

SCHEDULE II

REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1979

DETAILED SCHEDULES

Swiss francs

PART I:	<u>MEETINGS</u>		
Section 1	- <u>Thirty-fifth session of the</u> <u>CONTRACTING PARTIES</u>		
(i)	Temporary assistance (including overtime)	85,000	
(ii)	Travel and subsistence of temporary staff	5,000	
(iii)	Rental of meeting rooms and additional office space	8,000	
(iv)	Other services	<u>2,000</u>	
	Total Section 1:		100,000
Section 2	- <u>Meetings of the Council and</u> <u>other Meetings</u>		
(i)	Temporary assistance (including overtime)	500,000	
(ii)	Travel and subsistence of temporary staff	10,000	
(iii)	Rental of meeting rooms and additional office space	-	
(iv)	Other services	<u>4,000</u>	
	Total Section 2:		<u>514,000</u>
	Total PART I:		<u><u>614,000</u></u>

Swiss francs

PART II: SECRETARIAT

Section 3	-	<u>Salaries and Wages and Official Travel</u>		
(i)		Established posts	15,766,000	
(ii)		Temporary assistance (including overtime) and consultants	1,697,000	
(iii)		Travel on official business	300,000	
		Total Section 3:		17,763,000
Section 4	-	<u>Common Staff Costs</u>		
(i)		Installation grants	38,000	
(ii)		Travel and removal expenses of staff and their dependants	100,000	
(iii)		Separation payments	60,000	
(iv)		Contribution to the United Nations Joint Staff Pension Fund	2,742,000	
(v)		Repatriation grants	80,000	
(vi)		Travel on home leave	195,000	
(vii)		Family allowance, education grants and related travel		
	(a)	Family allowances	423,000	
	(b)	Education grants and related travel	264,000	
(viii)		Joint Services	140,000	
(ix)		Other common staff costs	338,000	
		Total Section 4:		4,380,000

Swiss francs

Section 5	-	<u>Common Services</u>	
(i)		Cables, telex and telephone communications	60,000
(ii)		Freight and cartage	7,000
(iii)		Books and information material	78,000
(iv)		Rental and maintenance of premises and equipment:	
	(a)	Rent	1,300,000
	(b)	Electricity	120,000
	(c)	Water supply	15,000
	(d)	Heating	90,000
	(e)	Telephone and telex (rental)	125,000
	(f)	Insurance premiums	150,000
	(g)	Cleaning materials	3,000
	(h)	Maintenance expenditure	326,000
	(i)	Casual labour	450,000
	(j)	Maintenance of service cars	12,000
(v)		Postal services	220,000
(vi)		Stationery and office supplies	100,000
(vii)		Reproduction and distribution of documents	300,000
(viii)		External audit	35,000
(ix)		Other services and miscellaneous expenditure	440,000
			<hr/>
		Total Section 5:	3,831,000
Section 6	-	<u>Printing</u>	295,000
Section 7	-	<u>Representation and Hospitality</u>	80,000
Section 8	-	<u>Public Information</u>	5,000
Section 9	-	<u>Permanent Equipment</u>	350,000
Section 10	-	<u>Contribution to a Staff Assistance Fund</u>	20,000
			<hr/>
		Total PART II:	<u>26,724,000</u>

Swiss francs

PART III:	<u>UNFORESEEN EXPENDITURE</u>		
Section 11 -	<u>Unforeseen Expenditure</u>		<u>200,000</u>
PART IV:	<u>TRADE NEGOTIATIONS</u>		
Section 12 -	<u>Trade Negotiations</u>		
(i)	Temporary assistance (including overtime)	2,518,000	
(ii)	Common staff costs	655,000	
(iii)	Travel	40,000	
(iv)	Rental of meeting rooms and additional office space	-	
(v)	General expenses	360,000	
(vi)	Hospitality	6,000	
	Total PART IV:		<u>3,579,000</u>
PART V:	<u>COMMERCIAL POLICY TRAINING COURSES</u>		
Section 13 -	<u>Commercial Policy Training Courses</u>		<u>600,000</u>
PART VI:	<u>INTERNATIONAL TRADE CENTRE UNCTAD/GATT</u>		
Section 14 -	<u>Contribution to the International Trade Centre UNCTAD/GATT</u>		<u>7,030,000</u>
	GRAND TOTAL:		<u>38,747,000</u>

SCHEDULE III

SCALE OF CONTRIBUTIONS FOR 1979

(Scale including a single minimum of 0.12%)

Country	Contributions in Swiss francs
<u>Contracting parties:</u>	
Argentina.	158,700
Australia.	555,600
Austria.	449,800
Bangladesh	45,400
Barbados	45,400
Belgium.	1,390,900
Benin.	45,400
Brazil	525,400
Burma.	45,400
Burundi.	45,400
Cameroon	45,400
Canada	1,734,900
Central African Empire	45,400
Chad	45,400
Chile.	83,100
Congo, People's Republic of the.	45,400
Cuba	151,100
Cyprus	45,400
Czechoslovakia	446,000
Denmark.	472,400
Dominican Republic	45,400
Egypt, Arab Republic of.	124,700
Finland.	309,900
France	2,732,800
Gabon.	45,400
Gambia	45,400
Germany, Federal Republic of	4,229,600
Ghana.	45,400
Greece	188,900
Guyana	45,400
Haiti.	45,400
Hungary.	264,500
Iceland.	45,400
India.	234,300

Country	Contributions in Swiss francs
<u>Contracting parties: (cont'd)</u>	
Indonesia.	317,500
Ireland.	177,600
Israel	181,400
Italy.	1,810,500
Ivory Coast.	52,900
Jamaica.	45,400
Japan.	2,929,300
Kenya.	45,400
Korea, Republic of	366,600
Kuwait	260,800
Luxembourg	120,900
Madagascar	45,400
Malawi	45,400
Malaysia	200,300
Malta.	45,400
Mauritania	45,400
Mauritius.	45,400
Netherlands, Kingdom of the.	1,908,800
New Zealand.	132,300
Nicaragua.	45,400
Niger.	45,400
Nigeria, Federal Republic of	347,700
Norway	423,300
Pakistan	75,600
Peru	75,600
Poland	574,500
Portugal	143,600
Rhodesia	45,400
Romania.	253,200
Rwanda	45,400
Senegal.	45,400
Sierra Leone	45,400
Singapore.	249,400
South Africa	279,700
Spain.	574,500
Sri Lanka.	45,400
Suriname	45,400
Sweden	820,200
Switzerland.	672,800

Country	Contributions in Swiss francs
<u>Contracting parties: (cont'd)</u>	
Tanzania	45,400
Togo	45,400
Trinidad and Tobago.	83,100
Turkey	151,100
Uganda	45,400
United Kingdom of Great Britain and Northern Ireland	2,789,500
United States of America	5,450,400
Upper Volta.	45,400
Uruguay.	45,400
Yugoslavia	287,200
Zaire.	45,400
<u>Associated Governments:</u>	
Colombia	68,000
Kampuchea, Democratic.	45,400
Philippines.	143,600
Tunisia.	52,900
	<u>37,798,000</u>

ANNEX I
OUTSTANDING CONTRIBUTIONS AS AT 30 SEPTEMBER 1978

Country	US dollars 1963/1972	Swiss francs					Total 1973/1978
		1973	1974	1975	1976	1977	
Argentina							34,120
Bangladesh							45,400
Benin							44,772
Brazil							18,134
Burundi							45,400
Central African Empire						25,695	
Chad	1969/1972	15,815		23,143	40,300	42,700	151,543
Chile 2/			27,800	31,600	40,300	42,700	213,300
Colombia						25,187	108,287
Congo, People's Republic of the				6,043		71,200	152,843
Cuba			13,958	31,600	40,300	42,700	173,958
Dominican Republic	1966/1972	33,101					128,500
Gabon			27,800	31,600	40,300	42,700	213,300
Gambia						19,603	65,003
Guyana						21,472	66,873
Haiti						4,836	50,236
Indonesia	1968/1972	19,687		31,600	40,300	42,700	213,300
Italy 1/							151,200
Ivory Coast 2/							178,281
Kampuchea				4,778		53,400	111,078
Democratic Kenya		12,106	27,800	31,600	40,300	42,700	199,906
Madagascar							37,624
Mauritania							1,544
Nicaragua			18,938	31,600	31,136	42,700	119,236
Nigeria, Fed.					40,300	42,700	178,938
Peru						160,684	523,484
Philippines						60,500	132,300
Portugal 3/							83,644
Rhodesia 2/	1966/1972	48,950					158,700
Rwanda 2/			27,800	31,600	40,300	42,700	213,300
Senegal							45,400
Sierra Leone						2,361	47,761
Sri Lanka				31,600	40,300	42,700	160,000
Tanzania							2,700
Togo						9,039	9,039
Turkey 2/				2,057		42,700	90,157
Uganda						131,700	282,900
USA 2/						3,870	49,270
Upper Volta							2,721,600
Uruguay 1/							45,400
Yugoslavia							45,400
Zaire						46,300	287,200
Total		117,553	114,106	171,896	275,943	406,714	1,096,509
							5,653,258
							7,718,426

1966 to 1972: US\$117,553 at SwF 1.63 to US\$1.-

1/ Payment received since 30 September 1978.
2/ Partial payment received since 30 September 1978.
3/ US\$364 also due in respect of Working Capital Fund assessment.

191,611
SwF 7,910,037

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ANNEX II

STATEMENT BY THE PRESIDENT OF THE STAFF COUNCIL

"Scandalous" and "disgusting" are the terms used by the Director-General to depict the situation concerning pensions and salaries for GATT professional staff. These words, which are energetic in themselves are more graphic still when pronounced by an outstanding diplomat and leave no room to any staff representative who might try to provide a better description. Such an attempt would be difficult but it would also be unnecessary because the Director-General used very apt terms.

I do not propose to go into the detail of the analysis which has led us to such deprecatory appreciations. Similar analyses have been presented time and time again to those whom we represent, to our administration, to the authorities of the so-called common system, to you who represent the member States, indeed so many times that the mere idea of having to do so again is more than one can stomach. However, the GATT Staff Council has taken the trouble to draw up a number of considerations and proposals which are available to you (Appendix).

I shall simply dwell on one point raised by the Director-General before the Committee concerning the additional contribution of SwF 136,000 to the pension fund. Mr. Long, when speaking to the Committee, observed that our pension system is so iniquitous that this additional contribution would benefit mainly those of our colleagues who do not need it. May I, in turn, stress that this remark is not only valid as regards this amount of SwF 136,000, but also applicable in respect of all the monies which we, the GATT civil servants, and you the member States, have been paying for years into the pension fund.

This situation has lasted long enough. You must now, regardless of the reforms which the system has been promising for years, but has failed to achieve until now, decide as soon as possible to take specific measures in our favour.

I fear, however, that the idea of such measures does not raise much enthusiasm with you.

Two years ago, on the occasion of a discussion of a similar proposal in the Council of the CONTRACTING PARTIES, we elicited support from a large majority, but a few countries which felt otherwise tipped the scales against an equitable solution. I do hope that this scenario will not be repeated again, because I have two comments to make.

The first is that the staff which I represent have really had enough of this situation. The staff are at present divided between despondency and scepticism. But it is to be feared that disgust and anger will follow.

The responsibilities are unmistakably clear in the view of the staff. The Director-General is not to be blamed, because he warned you of the existing situation long ago. The responsibility lies with the member States that you represent. Naturally, you are not personally responsible. The staff is of the view that those who are really responsible are in your capitals, in the offices of your Finance Ministries and that they view things solely in terms of the New York situation. No doubt, they are the ones who give you your instructions, which it is your overriding duty to follow, but and this will be my second observation it is also your bounden duty to report to them the situation which exists in this particular area of the common system.

Please do not interpret these words as a threat but as a diagnosis which, I hope, will be useful.

On one further point, I would, however, venture to go beyond a mere diagnosis and utter a caveat, without adducing any irrelevant consideration. Those of you who are informed are aware that the prospect of a forthcoming increase in pensionable remuneration in pursuance of a resolution adopted by the General Assembly of the United Nations in 1960, has given rise to disquieting reactions in at least one major delegation which engages in backstage manoeuvres to block the adjustment mechanism which we certainly criticize because it is iniquitous, but which is essential to finance the meagre improvements to be made to our pension system next year, and to ensure the financial survival of the pension fund. If these endeavours were successful, I can state, as President of the GATT Staff Council, that I shall feel morally unable to do or say anything which would mitigate the manifestation of the resentment experienced by the staff.

In conclusion, I wish to urge you to do everything possible so that the principles embodied in the proposals made by the Director-General, which have the staff's whole-hearted support, can be adopted. In this eventuality, the Staff Council which, for its part, has submitted some additional proposals on points of detail, would wish to be associated in the discussions concerning the modalities for the implementation of these principles.

APPENDIX
SALARY AND PENSIONS FOR
PROFESSIONALS - EXCHANGE RATE PROBLEMS

Note by the GATT Staff Council
to the GATT Budget Committee

Introduction

The Staff Council, which has for many years been fighting for an improvement in the post-adjustment mechanism and in the pension scheme of staff members belonging to the professional category, welcomes the suggestions made by the Director-General to the Budget Committee in document INT(78)37.

The Staff Council, nevertheless, would like to point out that the two steps proposed are far, in varying degrees however, from adequately remedying the losses incurred by the Professional staff on salaries and pensions.

I. POST-ADJUSTMENT SYSTEM

1. A regrettable situation

The inadequacies in the post-adjustment system which generate these losses are described in paragraph 3 of the Director-General's note to the Budget Committee; the attention of the responsible authorities in the so-called common system was repeatedly drawn to these inadequacies, in vain, by the GATT staff representatives. The losses accumulated by the staff since the first devaluation of the dollar probably amount now to several millions of Swiss francs. It should be recalled that, for 1974 alone, they reached more than Sw F 500,000 and were not compensated in spite of the availability of funds for that purpose.

The present situation offers a unique opportunity to introduce more meaningful provisions in order to remedy these losses. Since the last consolidation of post-adjustment classes in the basic salary on 1 January 1977, the post-adjustment mechanism has not been triggered off by any real cost-of-living increase in Switzerland. At that date, twelve classes of post-adjustment were applicable in Geneva; in other words, the take-home pay of Professionals consisted for 65 per cent of the equivalent in Swiss francs of the basic salary in dollars and for

.35 per cent of the compensation due for cost-of-living differences between New York on the base date and Geneva. The compensation was, of course, at the rate of 4.1/4.4 per cent for each bracket of 5 per cent in the cost-of-living differential (representing a total of 12 brackets), which involved a total loss of about 3 per cent in the take-home pay. Since that time there was no increase whatsoever in the cost-of-living differential which should have warranted an absolute increase in the take-home pay, involving additional expenditure by the CONTRACTING PARTIES. Instead, there was a continuing depreciation of the dollar in relation to the Swiss franc which explains, to an unascertainable extent, the cost-of-living stability in Switzerland. (The impossibility of determining accurately how far domestic inflation at any duty station was counteracted by local currency appreciation was in the past one of the arguments used to reject the GATT and UNESCO's proposals for a more adequate system of compensation.) The reflection of this stability on the take-home pay of GATT Professionals is an absolute decrease in pay with consequential budgetary savings for the CONTRACTING PARTIES. In other words, considering the three possible (and admittedly somewhat simplified) assumptions concerning economic and monetary developments in Switzerland in relation with the post-adjustment system, that is domestic inflation, price and exchange stability or currency appreciation, the only satisfactory situation for the staff is stability, when the post-adjustment system remains unactivated. In any other situation, whether characterized by inflation with or without devaluation, or by relative price stability with currency appreciation, the system is constantly generating losses; in a situation of inflation, the losses, which the post-adjustment system has been designed to cope with, are shared by the CONTRACTING PARTIES and the staff (due to the less-than total compensation), but in case of currency appreciation, the losses are entirely for the staff, with the CONTRACTING PARTIES recording net budgetary surpluses.

A thorough remedy should be applied to these inadequacies in a situation where the staff is systematically on the losing side.

Such a remedy should at least imply full compensation for the type of losses incurred since the last consolidation of classes of post-adjustment in the basic salary, that is 1 January 1977. For instance, in the case of an officer graded P.4, Step VI, the monthly loss amounted, on 1 September 1978 to Sw F 334, i.e. 4.3 per cent of take-home pay. It is, of course, realized that such a step is impossible, were it only in view of the strict financial rules applied in the organizations. But the remedy suggested by the Director-General is far from being sufficient.

2. Proposed solution

A reasonable and more equitable measure would be to protect as from 1 January 1979 the level of remuneration in Swiss francs reached on 1 January 1978 (that is, at the opening of the current financial year) with the additional proviso that the level of protection should be adjusted upwards each year to take account of the annual salary increments which are a normal feature of our salary system. Otherwise, the value of these increments being approximately 3 per cent of the basic pay, the rate of appreciation of the Swiss franc experienced recently would be sufficient to nullify within one year the effect of the proposed measures.

II. PENSIONABLE REMUNERATION

1. A most regrettable situation

The problem resulting from exchange developments in the area of pensions call for still more bitter comments from the staff.

Pensionable remuneration is a concept which determines the level of the staff and organization contributions to the Pension Fund as well as the amount of the pension which will be served to the staff member. This concept excludes the part of the take-home pay which corresponds to

the post-adjustment (presently 55.3 per cent of take-home pay at P.3, Step VI, dependency rate); as a result, pensions in high cost-of-living areas are dramatically insufficient. Furthermore, pensionable remuneration is subject to a mechanism of adjustment based on average and weighted fluctuations in the post-adjustment indices (which also reflect exchange fluctuations). This mechanism is satisfactory as it ensures a proper level of incoming resources to the Fund, but it does nothing to remedy the under-compensation obtaining in duty stations like Geneva which suffer more-than-average increases in the compound indices of cost-of-living and exchange rate fluctuations. As long as the range of cost-of-living indices in the various duty stations was not wider than 10 or 12 classes of post-adjustment (in the old system), a situation which prevailed until around 1970, the resulting under- and over-compensations were bearable; it is no more so when the range is as wide as 25 classes or even 30 classes, if account is taken of negative adjustments. The consequence is that presently the pension to be paid to an officer graded P.3, maximum step, retiring on 30 September 1978, after thirty years of service, is approximately 46 per cent* of his final average take-home pay in Geneva, whereas it represents as much as 67.5 per cent* of the same in places like New York or as much as 75 per cent* in Rome, with consequently widely varying standards of living for retirees from the same organization having reached identical grades and having enjoyed during their active life, wherever they were posted, identical standards of living.

It is true that recommendations are now pending before the General Assembly of the United Nations, but these recommendations will at best slightly alleviate the situation of retired officers and most probably just defer the harmful effects of currency movements on pensions. They are as such mere palliatives.

* Under the most favourable of both options presently opened, that is CPI in Geneva and WAPA in New York and Rome.

2. Possible ad hoc solutions

The proposal made to the Budget Committee when compared to the magnitude of the problem is also a palliative; as a matter of principle, however, it goes in the right direction and as such is warmly supported by the staff.

A more meaningful proposal, however, would be to envisage as an urgent but temporary measure, the creation of a special fund to which the professional staff and the organization would contribute on the usual basis of 7 and 14 per cent respectively on that part of the take-home pay which consists of the post-adjustment and which does not in the present system generate any pension right; the fund could operate as a provident fund. It could be terminated if and when the United Nations Pension Fund is satisfactorily reformed to remedy its present inadequacies.

The implementation of a positive decision on the principle of such a step would need a thorough study and serious discussions in which the staff would like to participate. In conclusion, the Staff Council would like to suggest to the Budget Committee to adopt the Director-General's proposal amended to define the level of protection as the value of the pensionable remuneration on 1 July 1978, date of its latest adjustment, expressed in Swiss francs at the rate of exchange used for the 1978 Budget.

ANNEX III

REPORT BY THE REPRESENTATIVE OF THE CONTRACTING PARTIES IN
THE ICITO/GATT PENSIONS COMMITTEE

1. The pensionable remuneration of staff members in the Professional category and above does not take account of the post adjustments added to salary to equalize the purchasing power of salaries converted into the currency of the various duty stations. Accordingly, while the purchasing power of take-home pay is more or less maintained, that of pensions is declining. Adjustments increasing pensionable remuneration are applied to all staff, whatever their duty station, and are based on the Weighted Average of Post Adjustments (WAPA), thus contributing to increase the imbalance still further by over-compensating in weak-currency countries and under-compensating in strong-currency countries. A staff member retiring after 30 years of service ought to receive a pension representing 60 per cent of pensionable remuneration for the 3 last years of service. That pension is currently 40 per cent of most recent take-home pay (including post adjustment) at Geneva, and 70 per cent at New York.

2. On retirement, staff members at present have a choice between two systems:

- (i) the WAPA system, under which the pension denominated in dollars (converted into local currency at the spot rate) is adjusted when changes occur in the weighted average of post adjustments;
- (ii) the CPI (Consumer Price Index) system, introduced in 1975, under which the basic pension expressed in dollars is converted into local currency on the basis of the average of exchange rates prevailing over the preceding 12 months. Thereafter this pension is adjusted in relation with variations in the consumer price index of the country of residence.

3. Opting for the CPI system is irreversible and many retired staff members have seen their pension decline because they had not made the better choice. Clearly the duality of the system presents some disadvantages and, moreover, the system is not equitable; pensioners living in the dollar area opt for the WAPA system and benefit from upward adjustments when the dollar declines in relation to strong currencies, even though purchasing power may have remained unchanged. Pensioners resident in strong-currency countries, even though they have opted for CPI, are adversely affected by the conversion of their pension into local currency. Those who have retired most recently are the hardest hit.

4. On several occasions, the United Nations Joint Staff Pension Board has examined the possibilities for improving the system. An initial proposal for the inclusion of post adjustments in pensionable remuneration was rejected by the United Nations General Assembly because of its high cost. The Pension Board was then asked to submit new proposals such as could be financed by the Fund without additional contributions from governments. It was, of course, virtually impossible to achieve a real reform of the system, because of the limitations imposed. The budgetary amount being constant, any improvement in the situation of staff retiring in strong-currency countries must be to the detriment of those retiring in weak-currency countries. Staff in the latter situation were well aware of this and opposed various proposals made by the Geneva-based organizations until the moment when the Secretary-General of the United Nations made proposals for improving the system. Those proposals, which were approved at Rome by the Pension Board, are now before the General Assembly and - if accepted - will take effect on 1 January 1979.

5. The reform is primarily designed to eliminate the choice between WAPA and CPI. The basic pension would be adjusted by the consumer price index of the United States. The pensioner would receive the larger pension as between the United States-CPI pension or the basic pension in local currency converted at the most advantageous exchange rate - i.e. either the average exchange rate over the 36 months immediately prior to the date of retirement, or the spot rate. That pension would then be adjusted by the CPI of the country of residence. This would improve the level of pensions in strong-currency countries. Lastly, it was decided that initial pensions for staff retiring after 1 January 1979 should be no smaller than those payable on 1 January 1978. The cost of these improvements could be absorbed by the Pension Fund at no additional expense. The measures are, however, only temporary ones pending a general reform of the pension system. (Indeed, one can readily see that the average of exchange rates over the past 36 months will be increasingly low.)

6. The International Civil Service Commission has been given the task of studying this reform and has set up an ad hoc body to work in collaboration with the Joint Staff Pension Board. The work is to commence in the very near future and will involve the preparation of a series of documents that will be examined in the first six months of 1979 with a view to submission of proposals to the General Assembly at its 1979 session.

7. Each of our governments must recognize the need for a major reform of the United Nations pension system. The present situation cannot continue and it is urgent to reach an equitable solution, probably one based on purchasing power in the various countries where pensioners settle down. Such a reform will clearly imply additional cost both for participants and for governments.

B. INTERNATIONAL TRADE CENTRE UNCTAD/GATT

FIRST PERFORMANCE REPORT ON THE PROGRAMME BUDGET OF THE
INTERNATIONAL TRADE CENTRE FOR THE BIENNIUM 1978-1979

49. The Committee examined the First Performance Report on the Programme Budget of the International Trade Centre for the biennium 1978-1979, contained in document ITC/OD/BUD/6, and noted that, as a result of movements in the rate of exchange between the US dollar and the Swiss franc, the Centre's requirements for the biennium were increased to US\$15,705,000. The effect on the 1978 and 1979 GATT budgets was a reduction of the contributions to SwF 6,825,000 and SwF 7,030,000 respectively.

50. In reply to questions, a representative of the Centre informed the Committee that the lack of consultation by the United Nations in New York with either the GATT or the Centre on budgetary matters, on which the Committee had expressed its concern at its May 1978 meeting, had not improved. In this connexion the Committee and the Director of the Centre welcomed the proposal of a representative of the secretariat to take up this matter with the competent UN services on a forthcoming visit to New York.

51. The Committee recommends that the CONTRACTING PARTIES approve the revised estimates of expenditure of the International Trade Centre UNCTAD/GATT for the biennium 1978/1979 (document ITC/OD/BUD/6), in the amount of \$15,705,000 (1978: \$7,617,000; 1979: \$8,088,000). The net amount to be provided in contributions by GATT for the biennium is \$7,844,500 (1978: \$3,804,500; 1979: \$4,040,000) on the understanding that like amounts will be forthcoming from the United Nations and that \$16,000 (1978: \$8,000; 1979: \$8,000) will be forthcoming as miscellaneous income.

POINT FOR DECISION:

Paragraph 51.