

# GENERAL AGREEMENT ON TARIFFS AND TRADE

## 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 18 June 1980, met at the Centre William Rappard, Geneva, between 9 and 21 October 1980.

2. The Committee was chaired by Mr. P.K. Williams of the United Kingdom and the following seventeen members attended:

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

Italy and Turkey were represented by observers.

3. In accordance with its terms of reference, the Committee considered the Director-General's Financial Report on the 1979 Accounts of the GATT and the Budget Estimates for 1981. In addition, the Committee examined the financial position of the GATT at 30 September 1980 on the basis of outturn figures prepared by the secretariat, the situation with regard to outstanding contributions and the question of the level of the Working Capital Fund. It also examined the 1978-1979 accounts of the International Trade Centre UNCTAD/GATT and its First Performance Report for 1980-1981.

4. The Committee had before it the following documents:

Director-General's Financial Report on the 1979 Accounts  
and Report of the External Auditor Thereon (L/4940)  
Budget Estimates for the Financial Year 1981 (L/5020)  
Outstanding Contributions as at 30 September 1980 (Spec(80)29)  
Working Capital Fund (L/5009)  
Financial Report and Accounts of the International Trade  
Centre UNCTAD/GATT for the Biennium 1978-1979 ended  
31 December 1979 and Report of the Board of Auditors (A/35/5)  
First Performance Report on the Programme budget of the ITC  
for the Biennium 1980-1981 (ITC/OD/BUD/8)

5. At the beginning of the meeting, the Committee heard an introductory statement by the Director-General. He said that although the GATT budget for 1981 had been prepared under the directives of Mr. Long, he had been informed and consulted at all stages of its elaboration and fully supported all the proposals made. He stated that he was a firm believer in Mr. Long's well-known policy of budgetary austerity, which had kept the secretariat within strict limits without sacrificing the quality and efficiency of its work on behalf of the CONTRACTING PARTIES, and he intended to continue the same line of march. He wished, however, to make very clear that this attitude of austerity implied that any cut in budgetary funding could not but compromise the effectiveness of the secretariat's activities.

6. Referring to the anticipated year-end budgetary situation for 1980, the Director-General pointed out that over-expenditure was expected to arise under some items of the budget. This over-expenditure concerned principally staff costs, including temporary assistance and overtime, the reproduction and distribution of documents and official travel on technical co-operation missions. He considered this to be the logical and inevitable consequence of the very success of the recently completed trade negotiations. The volume of documentation to be processed by the secretariat in connexion with the many new agreements had turned out to be much greater than was at first anticipated and this had resulted in a heavy overload in the translation, typing and documents reproduction services. Mr. Long had warned the Council in July of this situation and had requested that delegations exercise restraint in their requests for documentation. He had then given advance notice that, on examining the 1981 budget estimates, governments would be faced with the hard choice between providing the necessary funds for dealing with this mass of documentation or of resigning themselves to a situation of increasing backlogs and delays in its processing.

7. The Director-General drew attention to the other area of heavy expenditure in 1980 resulting from the technical co-operation missions which had been undertaken in response to requests from developing countries in need of assistance in evaluating the agreements resulting from the multilateral trade negotiations. Of the twenty-five requests for technical co-operation which had been received in 1980, thirteen had already been acted upon, four were included in the programme for the last months of the year and the remaining requests were awaiting suitable dates for execution. It was now foreseen that such requests in 1981 would exceed the level of those received in 1980.

8. The budget proposals for 1981 fully reflected these trends of expenditure both in respect of temporary assistance and reproduction and distribution of documents and of technical co-operation. Thus

additional provisions of some SwF 800,000 had been proposed to cover staff and other costs for the processing of documentation and further provisions totalling some SwF 300,000 in respect of technical co-operation with developing countries. SwF 260,000 were provided for professional and clerical assistance in connexion with the preparation of dispute-settlement panels, arising from the implementation of the new agreements, and for experts to serve on these panels. The Director-General felt that the evolution of this situation would no doubt make it necessary to call on experts from capitals since the great increase in the numbers of panels appeared to be placing a too heavy strain on the Geneva delegations. It was nevertheless evident that these budgetary provisions did not modify in any way the rights of contracting parties in connexion with the composition of the panels.

9. With regard to other proposals in the 1981 budget, the Director-General also referred to the proposed new post at the D.1 level to reinforce the Department of Conference Affairs and Administration. This Department was not only responsible for the material functioning of all aspects of the work of the secretariat but also covered a large and diversified part of GATT's activities including the sessions of the CONTRACTING PARTIES and the Council and a great variety of legal matters. It was a very large Department with heavy responsibilities where the Head of the Department needed a fully qualified officer to assist him. The Director-General reminded the Committee that this Department was also heavily engaged in co-ordination activities of United Nations bodies responsible for administrative, financial and personnel matters. Before the proposal was made, he and Mr. Long had examined this matter thoroughly and he considered it of great importance that the Department be strengthened in this way. In his opinion this post was directly linked to harmonious working conditions which were imperative for the proper and effective management of the secretariat.

10. The remainder of the budgetary increase represented inflation and other unavoidable cost increases. The total increase of 5.6 per cent over 1980 could be considered to be very low taking into account that the present inflation rate in Switzerland was about 5 per cent.

11. The Director-General indicated that the 1981 budget estimates also provided for the consolidation of a number of posts from temporary assistance into the permanent establishment. In pursuance of his predecessor's policy of providing a degree of budgetary flexibility without pre-empting resources before a permanent need for them was experienced, these posts had been maintained under temporary assistance credits for a number of years until the permanent need for them was absolutely beyond question. Their consolidation had now become imperative, among other reasons, for healthy personnel management. He

pointed out that, of course, the budgetary increase under the heading of established posts was offset by a corresponding reduction under temporary assistance. He added that a number of other temporary posts which would have warranted the same treatment had been put forward by the Directors of Divisions, but their consolidation had not been proposed at this stage.

12. The proposals for regradings in 1981 had been made taking into consideration both the increased responsibility of the posts concerned and the extremely limited possibilities for internal transfer and promotion within the secretariat. This was well illustrated by the fact that only five staff members of all grades would reach retirement age in 1981. The Director-General recalled in this connexion that in 1974 the Committee considered the principles of personnel policy in the GATT and agreed that, in as small a secretariat as GATT, it would not be possible to adhere too strictly to a "rank in post" approach and that, in particular circumstances, the "rank in man" approach, giving somewhat greater weight to a staff member's personal qualities, should be applied.

13. With regard to the question of outstanding contributions, the Director-General indicated that they continued at a high level and appealed through the Committee to those contracting parties that had not yet paid their contribution for 1980 or any previous year to do so immediately in order to facilitate the sound financial management of the secretariat.

14. In connexion with this question of outstanding contributions, the Committee at its October 1979 meeting had requested the secretariat to make an examination of the Working Capital Fund. The secretariat's study was now before the Committee in document L/5009 and contained a recommendation that the level of the Working Capital Fund be increased to approximately 10 per cent of the GATT budget, i.e. to SwF 4 million. This could be achieved by assessments on contracting parties, and by adding to the Fund the interest earned on Working Capital Fund investments. The latter might maintain the ratio of the Fund to the budgetary level.

15. With regard to the International Trade Centre UNCTAD/GATT, the Director-General drew the Committee's attention to the fact that its budget for 1980-1981, which was expressed in dollars, had had to be recalculated to take into account the depreciation of the dollar. In addition, the United Nations, who financed the ITC budget together with the GATT, had instructed the Centre to include an inflation factor of 5 per cent for each of the years 1980 and 1981. This was an independent confirmation of what he had said regarding the effect of present rates of inflation on the GATT budget itself which unfortunately was a fact of

life that had to be lived with. The recalculation of the Centre's budget would increase GATT's contribution to the Centre in 1980 to SwF 113,600 more than the approved credit and would also necessitate the upward revision of the 1981 GATT provision by SwF 163,000.

16. In conclusion, the Director-General reiterated that he was convinced that the 1981 budget estimates represented the minimum requirements for implementing the tasks awaiting GATT in 1981, stemming from both the new activities that had issued from the Tokyo Round of Multilateral Trade Negotiations and the work programme adopted by the CONTRACTING PARTIES in November 1979 and in which GATT was already heavily involved in 1980.

A. GATT SECRETARIAT

I. REPORT ON THE 1979 ACCOUNTS AND REPORT  
OF THE EXTERNAL AUDITOR THEREON

17. The Committee examined the Report on the 1979 Accounts and the Report of the External Auditor Thereon (L/4940) and heard additional explanations from representatives of the secretariat.

18. The Committee recommends that the CONTRACTING PARTIES approve the audited accounts for 1979 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 1980 BUDGET

19. The Committee examined the outturn figures prepared by the secretariat and was given additional information and explanations. It was noted that, on the basis of these figures, the 1980 accounts were likely to close with excess expenditure on some items of the budget, principally staff costs, reproduction and distribution of documents and official travel. It was further noted that this was due in large part to the volume of documentation to be processed by the secretariat in connexion with the many new Agreements, which was much greater than originally anticipated and was resulting in a heavy overload in the translation, typing and documents reproduction services. The common staff costs were higher than was originally anticipated due principally to a higher than usual turnover of staff in 1980 and the fact that recruitment had been made on a wide international basis. Further, family allowances for staff in the general service category had been increased retroactively after the approval of the 1980 budget. In addition, the pensionable remuneration of staff in the professional and higher categories had increased in accordance with the United Nations Staff Regulations and Rules which stipulated such increases in response to movements of the weighted average of post adjustment (WAPA) at Headquarters and main Regional Offices of Organizations participating in the United Nations Joint Staff Pension Fund. In fact the level of pensionable remuneration had had to be adjusted to gross salary plus 35 per cent with effect from 1 January 1980 and to gross salary plus 40 per cent with effect from 1 July 1980, whereas the budget provided for a 25 per cent adjustment only.

20. In addition to these factors the 1980-1981 biennium budget of the International Trade Centre UNCTAD/GATT had been recalculated on instructions of the United Nations, New York, to take account of inflation and of US dollar/Swiss franc parity movements. These recalculations would lead to an increase of SwF 113,600 in contributions payable to the International Trade Centre from the 1980 GATT budget which would then amount to SwF 7,353,600.



21. While recognizing that the causes of the anticipated over-expenditure in 1980 were beyond the secretariat's control, the Committee was of the opinion that in principle such over-expenditure should be avoided. It was noted that, to a large extent, the anticipated over-expenditure on some sections of the 1980 budget could be financed from savings on other sections. However, the Committee was aware that such measures would be insufficient and therefore recommends to the Council that the Director-General be authorized to utilize to the extent necessary the provision of SwF 200,000 under Part III - Unforeseen Expenditure.

22. With regard to the additional expenditure in respect of contributions in 1980 to the International Trade Centre UNCTAD/GATT, the Committee further recommends that the appropriation for Part V be increased by SwF 113,600 to SwF 7,353,600 and that the supplementary appropriation be financed from the anticipated 1980 excess income.

23. The Committee noted with concern that the level of outstanding contributions continued to be very high and regretted that past action taken with a view to reducing arrears had had little effect. A representative of the secretariat informed the Committee that every opportunity was taken, both in writing and by personal contacts of GATT staff on missions, to remind governments of the importance of prompt payment of their contributions and of the settlement of arrears. In this connexion, advantage was taken also of contacts afforded by the presence in Geneva of participants in the Commercial Policy Training Courses. One member of the Committee suggested that the technical co-operation missions would provide opportunities for many more contacts and advantage should be taken of them to encourage governments in arrears to make instalment payments with a view to the total settlement of their arrears. The Committee agreed to recommend to the Council that governments be once again urged to pay pending contributions immediately and to pay each year's contribution as early as possible in the year in which it falls due.

24. The Committee noted with satisfaction the statement by one member to the effect that the contributions outstanding from his Government would be forthcoming very soon.

### III. ESTIMATES OF EXPENDITURE FOR 1981

25. Before the Committee began its item-by-item examination of the 1981 expenditure estimates, several members made general comments on the estimates and on their presentation by the Director-General. There was a general feeling that the proposals were reasonable, particularly in view of the fact that the increase over 1980 in percentage terms represented

only little more than the current rate of inflation in Switzerland. The members of the Committee appreciated the secretariat's continued commitment to a line of austerity. It was recognized that in many cases inflation had been absorbed within the budgetary items without increasing the provision concerned and members were aware that, for example, the heavy increase in the cost of air tickets was not reflected by a corresponding increase in the travel estimate. Other elements, such as statutory annual increments for the staff, represented unavoidable increases which were not dependent upon inflation.

26. It was clear that implementation of the agreements that had arisen out of the Multilateral Trade Negotiations called for the provision of adequate budgetary resources to ensure that the secretariat was kept strong and responsive in facing up to the tasks before it, including also the arrangement of dispute-settlement panels and the technical co-operation to be undertaken with developing countries.

27. In this connexion, the Committee was aware that two new Agreements (Codes on Customs Valuation and on Government Procurement) would enter into force in January 1981 and increase the secretariat's workload accordingly. However, there remained elements of uncertainty as to the level of overall activity. In addition, governments were continuing to apply severe financial restraints on their own spending and it was necessary to keep this stringency very well in mind during the examination of GATT's budget proposals. The Committee's role was a dual one which covered both provision of resources and vigilance over expenses, and it was imperative to maintain a high degree of cost consciousness at all stages of its work. The proposals would be studied in detail according to these criteria, particularly the proposed staffing provisions, in order to identify any possible economies.

#### Meetings

28. The Committee expressed particular concern with regard to the financial implications of the great mass of documentation which was being generated by the administering of the new agreements. It was conscious of the appeal that had been made by the Director-General in this regard and felt that the importance of documentation should not lead to the acceptance of costs at any price.

29. The Committee encouraged other individual GATT Committees, and Councils and Committees established under the Codes, to be cost conscious and to be aware of the financial implications of requests for studies, or decisions taken, for example, with respect to notification requirements, etc. The Committee requested the secretariat to put forward guidelines in this respect.

30. With regard to interpretation costs, satisfaction was expressed that the Committee's recommendation last year had resulted in reduction of expenditure in this field by improved co-ordination and planning of meetings so as to avoid simultaneous meetings and the consequent need to hire additional interpreters. The contracting parties and the secretariat were encouraged to continue their efforts in this connexion. A longer-term scheduling of meetings could also result in increased income from letting conference rooms.

New posts, consolidations and regradings

31. Several members of the Committee, while expressing their recognition of the need to provide a new P.3 post in the Agriculture Division and to reinforce the staff responsible for the operation of the switchboard serving all occupants of the Centre William Rappard, were not convinced of the necessity of creating a new D.1 post to provide an assistant to the Head of the Department of Conference Affairs and Administration. They recognized that this Department was an important one which was playing a key role in shouldering the logistical burden created by the greatly increased flow of documentation for the new agreements and they were aware of the very wide scope and profound impact this was having on all the logistical support services. Nevertheless, the creation of a new post at this high level created problems for them and they felt that the possibility should be examined of providing assistance in this area at a lower grade.

32. With regard to the proposals to consolidate six professional and nine general service category posts from temporary assistance credits to the permanent establishment, a representative of the secretariat reminded the Committee that these consolidations had been left in abeyance last year in order to allow for further experience of the actual impact of the work resulting from the implementation of the new agreements before their incorporation into the establishment. In pursuance of the Director-General's policy in this connexion, they had already been maintained for several years as temporary assistance posts and had not been proposed for consolidation into the permanent establishment until the permanent need for them was beyond question.

33. Some members of the Committee were of the opinion that insufficient justification had been given with regard to the proposed consolidation of posts. It was also felt that, as experience in connexion with the secretariat's new responsibilities regarding the MTN agreements was limited as yet to only a few months, it would be wiser to reconsider the situation again next year in the light of more experience.

34. The Committee also examined in detail the Director-General's proposals to regrade seven professional and ten general service category posts. Note had been taken of the Director-General's remarks recalling that in 1974, when reviewing the personnel promotion policy and practice of GATT, the Committee had recognized that, because of the very limited scope for promotions in a small secretariat with little turnover of staff, a "rank-in-man" approach, giving somewhat greater weight to a staff member's personal qualities, was used in preference to a "rank-in-post" approach. The Committee requested the Director-General at that time to consider linking the requested grade to the incumbent when making regrading proposals in future budgets. If posts were so regraded they would revert to the original level when vacated by the incumbent. Some members of the Committee felt that some of the proposed regradings were not sufficiently justified in the budget document.

#### Revision of expenditure estimates

35. During the Committee's examination of the expenditure estimates it became apparent that, because of national budgetary considerations and questions with regard to the necessity of various proposals at this time, some members could not accept the budget at the level proposed by the Director-General. Their governments were applying a very strict policy of reducing their own expenditures to the barest minimum and their examination of the budgets of international organizations to which they contributed was governed by this consideration. They recognized the inevitable need to provide for inflation and for other unavoidable cost increases but they could accept real budgetary growth only in very exceptional cases. As a consequence of this situation, and following extensive discussion in the Committee, the Director-General put forward revised expenditure estimates which entailed the following modifications and resulted in a reduction of the estimates for the GATT budget (excluding the ITC contribution) of SwF 360,000, as follows:

#### PART II: SECRETARIAT

Swiss francs

#### Section 3 - Salaries and Wages and Official Travel

(i) Established posts	100,000
Reduction to be achieved by adjusting the 1981 retardation factor for the filling of vacant posts and for posts filled at a lower level than provided for in the budget	

Swiss francs

(ii)	Temporary assistance (including overtime) and consultants	162,000
	Reduction to be achieved by cutting back the provision for consultants and experts to serve on dispute-settlement panels. In addition, the Director-General would make savings on the overall temporary assistance credits by further restricting temporary help and overtime	
(iii)	Travel on official business	40,000
	Reduction to be achieved as a consequence of the cut-back of the provision in respect of experts to serve on dispute-settlement panels	
Section 5 - Common Services		
(iv)	Rental and maintenance of premises and equipment	
	(d) Heating	30,000
	Reduction to be achieved in view of current cost of fuel and by continuing to apply economy measures to the use of the heating system	
<u>PART V: COMMERCIAL POLICY TRAINING COURSES</u>		
Section 12 - Commercial Policy Training Courses		
	Reduction to be achieved in view of trend of current expenditures	40,000
		<hr/>
		372,000
(viii)	External Audit	
	<u>deduct:</u> Increase due to revised cost estimate received from External Auditor	(12,000)
		360,000

	<u>Swiss francs</u>
<u>PART VI: INTERNATIONAL TRADE CENTRE UNCTAD/GATT</u>	
Section 13 - Contribution to the International Trade Centre UNCTAD/GATT	(163,000)
<u>deduct</u> : Increase due to the revised estimates for the Centre for the 1980-1981 biennium contained in document ITC/OD/BUD/8	
	<u>197,000</u>

36. While it was clear that some members could have accepted the estimates, which had been described as reasonable, as they had been originally presented by the Director-general, the Committee was gratified that it had nevertheless been possible to reduce the overall budget level somewhat. A representative of the secretariat pointed out that since the budget had been prepared in accordance with very tight limits, it was extremely difficult to reduce individual items without detrimental effect. However, he assured the Committee that great care had been taken when formulating the present proposals for reductions to ensure that there would be no adverse effect on the secretariat's capacity to carry out the work programme assigned to it by the CONTRACTING PARTIES. In particular, neither the level nor the quality of technical co-operation with developing countries would be impaired. With regard to the Commercial Policy Training Courses, the reduction would not affect either the duration of the courses or the number of participants that could be accepted.

37. As regards the increase in the contribution to the International Trade Centre, the Committee noted that, if the United Nations did not fully approve the revised estimates for the Centre, savings would accrue to the 1981 GATT budget under Part V.

38. One member of the Committee stated that although his Government still had considerable doubts as to the full justification of all the new posts, consolidations of temporary assistance posts and regradings, he did not wish to oppose the general personnel policy objectives of the Director-General and agreed to the staffing provisions in order to achieve a consensus in the Committee. In particular the ad personam regrading of a Counsellor, P5, to Senior Counsellor, D1, in the Research and Statistics Division should be definitely regarded as an exceptional case. This understanding was shared by other members.

39. One member stressed the importance of retaining adequate provision for remunerating experts to serve on dispute-settlement panels, particularly in view of the understanding that developing countries should be encouraged to participate in them. A representative of the secretariat said that it was extremely difficult to foresee the exact needs with regard to experts to be brought to Geneva for this purpose but reassured the Committee as to the participation of experts from developing countries.

40. Some members drew particular attention to the need to provide adequate funds for technical co-operation with developing countries with a view to their participation in the Agreements. Since this was a relatively new area of GATT's activity it was important for the Committee to keep abreast of its developments and they requested that a report be made available to the Committee at its session next year.

41. Subject to the comments and reservations set out above, the Committee could accept the estimates as amended and agreed to a revised level of total expenditure of SwF 41,864,000.

#### IV. INCOME BUDGET ESTIMATES FOR 1981

42. The Committee agreed that the budget for 1981 be financed as follows:

	<u>Swiss francs</u>
(a) Contributions assessed on contracting parties	40,400,000
(b) Miscellaneous income	1,014,673
(c) Transfer from the 1979 Surplus Account	<u>449,327</u>
	<u>41,864,000</u>

#### V. OTHER MATTERS

##### Working Capital Fund

43. The Committee examined the Director-General's report on the Working Capital Fund (document L/5009), prepared in response to the request made at the Committee's meeting in October 1979 in view of the cash flow problems which resulted from the high level of outstanding contributions. The report contained proposals to set the Working Capital

Fund at the level of approximately 10 per cent of the GATT budget, i.e. SwF 4 million, to finance the increase by additional advances to be made by contracting parties and to credit interest earned on investment of the Fund to the Working Capital Fund itself rather than to Miscellaneous Income of the GATT budget as at present. The Director-General also proposed the addition to the existing rules governing the Working Capital Fund of further rules to cover reimbursement to contracting parties of advances made.

44. Some members were of the opinion that a Fund representing some 5 per cent of the budget level would be both adequate and in line with the ratio of Working Capital Funds in other international organizations. Some members of the Committee felt also that any increase should be achieved gradually over a period of years.

45. With respect to the principle of crediting interest earned on investment of funds pertaining to the Working Capital Fund to the Fund itself, some members of the Committee agreed that it would be more logical and in conformity with normal accounting practice to credit interest to the Fund that generated it. Other members, however, were of the opinion that it should continue to be credited to the General Fund.

46. After a thorough examination of the Director-General's proposal to increase the Working Capital Fund to SwF 4 million, the Committee recognized the need for an increase but decided to revert to this matter early next year. It would then discuss the level to which the Fund should be increased, the period over which the increase would be made and other ways and means of financing such an increase. The Committee would also consider the possible addition to the rules governing the Working Capital Fund of rules to cover reimbursement of advances made by contracting parties.

#### Pension Fund matters

47. The Committee heard a report on current Pension Fund developments from Mrs. E. Michaud (France), member representing the CONTRACTING PARTIES on the ICITO/GATT Pension Committee and on the United Nations Joint Staff Pension Board. The text of Mrs. Michaud's statement is annexed hereto.



48. The Committee expressed its appreciation of Mrs. Michaud's services as well as those of Mr. G.A. Stünzi (Switzerland), the alternate member representing the CONTRACTING PARTIES on the ICITO/GATT Pension Committee, who would complete their terms of office on 31 December 1980.

49. The Committee recommends that the Council approve the renomination of Mrs. E. Michaud (France) and Mr. G.A. Stünzi (Switzerland) as member and alternate member respectively to represent the CONTRACTING PARTIES on the ICITO/GATT Pension Committee for a three-year period commencing on 1 January 1981.

#### Membership of the Committee on Budget, Finance and Administration

50. The Committee heard a request from the observer representing Italy to transmit to the Council his government's wish to be fully represented on the Committee. He stressed the importance of foreign trade to his country which also resulted in Italy being a principal contributor to GATT budgets.

#### External Audit

51. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final audit of the 1980 accounts of the GATT, for the interim audit of the 1981 accounts and for the submission to the CONTRACTING PARTIES of the Auditor's report for 1980 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

### VI. CONCLUSION

52. 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 18  
Paragraph 21  
Paragraph 22  
Paragraph 23  
Paragraph 49  
Paragraph 52

DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES  
IN 1981 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED

the estimates of expenditure of the CONTRACTING PARTIES for 1981 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 1981, provided that such repayment does not exceed a total of 41,864,000 Swiss francs.
2. The repayment referred to in paragraph 1 shall be financed as follows:
  - (a) by contribution from contracting parties in the amount of 40,400,000 Swiss francs;
  - (b) by miscellaneous income estimated at 1,014,673 Swiss francs;
  - (c) by transfer from the 1979 Surplus Account of 449,327 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 1981.
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 1981.

SCHEDULE I

REVISED ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1981

	<u>Original Estimates (L/5020) SwF</u>	<u>Increases/ (Decreases) SwF</u>	<u>Revised Estimates SwF</u>	
<b>PART I: <u>MEETINGS</u></b>				
<b>Section 1 - <u>Thirty-Seventh Session of the CONTRACTING PARTIES</u></b>				
(i)	Temporary assistance (interpreters)	13,000	-	13,000
(ii)	Travel and subsistence of temporary staff	2,000	-	2,000
(iii)	Rental of meeting rooms and additional office space	4,000	-	4,000
(iv)	Other services	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	Total Section 1:	<u>20,000</u>	<u>-</u>	<u>20,000</u>
<b>Section 2 - <u>Meetings of the Council and other Meetings</u></b>				
(i)	Temporary assistance (interpreters)	145,000	-	145,000
(ii)	Travel and subsistence of temporary staff	2,000	-	2,000
(iii)	Other services	<u>4,000</u>	<u>-</u>	<u>4,000</u>
	Total Section 2:	<u>151,000</u>	<u>-</u>	<u>151,000</u>
	Total Part I:	<u>171,000</u>	<u>-</u>	<u>171,000</u>

	<u>Original Estimates (L/5020) SwF</u>	<u>Increases/ (Decreases) SwF</u>	<u>Revised Estimates SwF</u>
<b>PART II: <u>SECRETARIAT</u></b>			
<b>Section 3 - <u>Salaries and Wages and Official Travel</u></b>			
(i)	Established posts	19,286,000	(100,000) 19,186,000
(ii)	Temporary assistance (including overtime) and consultants	3,811,000	(162,000) 3,649,000
(iii)	Travel		
	(a) Travel on official business	360,000	(40,000) 320,000
	(b) Technical co-operation travel	100,000	- 100,000
	Total Section 3:	<u>23,557,000</u>	<u>(302,000) 23,255,000</u>
<b>Section 4 - <u>Common Staff Costs</u></b>			
(i)	Installation grants	40,000	- 40,000
(ii)	Travel and removal expenses of staff and their dependants	100,000	- 100,000
(iii)	Separation payments	60,000	- 60,000
(iv)	Contribution to the United Nations Joint Staff Pension Fund	3,323,000	- 3,323,000
(v)	Repatriation grants	100,000	- 100,000
(vi)	Travel on home leave	260,000	- 260,000
(vii)	Family allowances, education grants and related travel:		
	(a) Family allowances	521,000	- 521,000
	(b) Education grants and related travel	296,000	- 296,000
(viii)	Joint services	130,000	- 130,000
(ix)	Other common staff costs	<u>374,000</u>	<u>- 374,000</u>
	Total Section 4:	<u>5,204,000</u>	<u>- 5,204,000</u>

	<u>Original</u> <u>Estimates</u> <u>(L/5020)</u> <u>SwF</u>	<u>Increases/</u> <u>(Decreases)</u> <u>SwF</u>	<u>Revised</u> <u>Estimates</u> <u>SwF</u>	
<b>Section 5 - <u>Common Services</u></b>				
(i)	Cables, telex and telephone communications	75,000	-	75,000
(ii)	Freight and cartage	7,000	-	7,000
(iii)	Books and information material	86,000	-	86,000
(iv)	Rental and maintenance of premises and equipment:			
	(a) Rent	1,300,000	-	1,300,000
	(b) Electricity	120,000	-	120,000
	(c) Water supply	10,000	-	10,000
	(d) Heating	160,000	(30,000)	130,000
	(e) Telephone and telex (rental)	130,000	-	130,000
	(f) Insurance premiums	120,000	-	120,000
	(g) Maintenance expenditure	323,000	-	323,000
	(h) Contractual cleaning	510,000	-	510,000
	(i) Maintenance of service cars	13,000	-	13,000
(v)	Postal services	320,000	-	320,000
(vi)	Stationery and office supplies	110,000	-	110,000
(vii)	Reproduction and distribution of documents	500,000	-	500,000
(viii)	External audit	40,000	12,000	52,000
(ix)	Other services and miscellaneous expenditure	485,000	-	485,000
	<b>Total Section 5:</b>	<u>4,309,000</u>	<u>(18,000)</u>	<u>4,291,000</u>
<b>Section 6 - <u>Printing</u></b>				
		<u>485,000</u>	<u>-</u>	<u>485,000</u>
<b>Section 7 - <u>Representation and Hospitality</u></b>				
		<u>102,000</u>	<u>-</u>	<u>102,000</u>
<b>Section 8 - <u>Public Information</u></b>				
		<u>5,000</u>	<u>-</u>	<u>5,000</u>

	<u>Original Estimates (L/5020) SwF</u>	<u>Increases/ (Decreases) SwF</u>	<u>Revised Estimates SwF</u>
Section 9 - <u>Permanent Equipment</u>	<u>168,000</u>	<u>-</u>	<u>168,000</u>
Section 10 - <u>Contribution to a Staff Assistance Fund</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Part II:	<u>33,850,000</u>	<u>(320,000)</u>	<u>33,530,000</u>
PART III: <u>UNFORESEEN EXPENDITURE</u>			
Section 11 - <u>Unforeseen Expenditure</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
PART IV: <u>COMMERCIAL POLICY TRAINING COURSES</u>			
Section 12 - <u>Commercial Policy Training Courses</u>	<u>600,000</u>	<u>(40,000)</u>	<u>560,000</u>
<u>Sub-Total</u>	<u>34,821,000</u>	<u>(360,000)</u>	<u>34,461,000</u>
PART V: <u>INTERNATIONAL TRADE CENTRE UNCTAD/GATT</u>			
Section 13 - <u>Contribution to the International Trade Centre UNCTAD/GATT</u>	<u>7,240,000</u>	<u>163,000<sup>1/</sup></u>	<u>7,403,000</u>
<u>GRAND TOTAL</u>	<u>42,061,000</u>	<u>(197,000)</u>	<u>41,864,000</u>

<sup>1/</sup> See paragraph 37, page 13

SCHEDULE II

SCALE OF CONTRIBUTIONS FOR 1981

(Scale including a single minimum of 0.12%)

Country	Contributions in Swiss francs
<u>Contracting parties:</u>	
Argentina . . . . .	153,520
Australia . . . . .	537,320
Austria . . . . .	505,000
Bangladesh . . . . .	48,480
Barbados . . . . .	48,480
Belgium . . . . .	1,523,080
Benin . . . . .	48,480
Brazil . . . . .	505,000
Burma . . . . .	48,480
Burundi . . . . .	48,480
Cameroun . . . . .	48,480
Canada . . . . .	1,692,760
Central African Republic . . . . .	48,480
Chad . . . . .	48,480
Chile . . . . .	105,040
Congo, People's Republic of the . . . . .	48,480
Cuba . . . . .	141,400
Cyprus . . . . .	48,480
Czechoslovakia . . . . .	436,320
Denmark . . . . .	480,760
Dominican Republic . . . . .	48,480
Egypt, Arab Republic of . . . . .	117,160
Finland . . . . .	311,080
France . . . . .	2,945,160
Gabon . . . . .	48,480
Gambia . . . . .	48,480
Germany, Federal Republic of . . . . .	4,678,320
Ghana . . . . .	48,480
Greece . . . . .	197,960
Guyana . . . . .	48,480
Haiti . . . . .	48,480
Hungary . . . . .	246,440
Iceland . . . . .	48,480
India . . . . .	250,480

Country	Contributions in Swiss francs
<u>Contracting parties: (cont'd)</u>	
Indonesia. . . . .	335,320
Ireland. . . . .	226,240
Israel . . . . .	173,720
Italy. . . . .	2,044,240
Ivory Coast. . . . .	72,720
Jamaica. . . . .	48,480
Japan. . . . .	3,114,840
Kenya. . . . .	48,480
Korea, Republic of . . . . .	480,760
Kuwait . . . . .	303,000
Luxembourg . . . . .	133,320
Madagascar . . . . .	48,480
Malawi . . . . .	48,480
Malaysia . . . . .	189,880
Malta. . . . .	48,480
Mauritania . . . . .	48,480
Mauritius. . . . .	48,480
Netherlands, Kingdom of the. . . . .	1,967,480
New Zealand. . . . .	133,320
Nicaragua. . . . .	48,480
Niger. . . . .	48,480
Nigeria, Federal Republic of . . . . .	424,200
Norway . . . . .	408,040
Pakistan . . . . .	80,800
Peru . . . . .	76,760
Philippines . . . . .	153,520
Poland . . . . .	545,400
Portugal . . . . .	149,480
Romania. . . . .	311,080
Rwanda . . . . .	48,480
Senegal. . . . .	48,480
Sierra Leone . . . . .	48,480
Singapore. . . . .	286,840
South Africa . . . . .	234,320
Spain. . . . .	593,880
Sri Lanka. . . . .	48,480
Suriname . . . . .	48,480
Sweden . . . . .	791,840
Switzerland. . . . .	795,880



Country	Contributions in Swiss francs
<u>Contracting parties: (cont'd)</u>	
Tanzania . . . . .	48,480
Togo . . . . .	48,480
Trinidad and Tobago . . . . .	68,680
Turkey . . . . .	125,240
Uganda . . . . .	48,480
United Kingdom of Great Britain and Northern Ireland . . . . .	3,171,400
United States of America . . . . .	5,837,800
Upper Volta . . . . .	48,480
Uruguay . . . . .	48,480
Yugoslavia . . . . .	286,840
Zaire . . . . .	48,480
Zimbabwe . . . . .	48,480
<u>Associated Governments:</u>	
Colombia . . . . .	105,040
Kampuchea, Democratic . . . . .	48,480
Tunisia . . . . .	60,600
	<u>40,400,000</u>

ANNEX

Statement by Mrs. E. Michaud, Member Representing the  
CONTRACTING PARTIES on the ICITO/GATT Pension Committee

Last year, because actuarial data were not available as to the financial repercussions of the proposals under examination, the United Nations Joint Staff Pension Board (UNJSPB) and the International Civil Service Commission (ICSC) were not able to present any definitive solution to the problem of pensions, and more particularly of pensionable remuneration.

In December last, the United Nations General Assembly was able to adopt only interim measures limited to the year 1980; it requested the two bodies just mentioned "to conclude in 1980 their comprehensive examination of the functioning, methods of establishment and adjustment and appropriate level of pensionable remuneration with a view to submitting proposals to the General Assembly at its thirty-fifth session for correcting, no later than January 1981, anomalies in the United Nations pension system brought about by the current economic and monetary circumstances".

The Standing Committee of the UNJSPB held two meetings in the spring to determine the studies to be made in preparation for the UNJSPB meeting. At those meetings, in the interest of progress toward a generally acceptable solution, the Geneva-based organizations gave up pressing for a completely selective system which, in the view of its detractors, would unduly disrupt the existing system. Consideration was then given to a system of protection that would guarantee a minimum pension in relation to an average situation. Several possible formulae were examined in the light of their cost.

In that spirit, last June ILO proposed to the UNJSPB a formula designed to assure retirees of 70 per cent of their total net remuneration after thirty years' service. That proposal also limited the variations between extreme pensions to 10 per cent, whereas at present, pensions vary between 40 and 120 per cent of total net remuneration. It was supported by the other Geneva- and Europe-based organizations but was opposed by the representatives of the administration, staff and General Assembly of the United Nations who claimed that the financial repercussions would be excessive. A compromise solution was finally reached after some stormy meetings.

The upward adjustment of pensionable remuneration for persons who retire to countries where the cost of living is high will not be accompanied by any reduction in pensions for those retiring in other countries. The proposal adopted at Washington retains the basic pension calculated in dollars for all retirees and makes provision for adjustments of the amount of pensions in local currency in countries of retirement where the post adjustment exceeds a certain floor level. Those pensions will be supplemented by application of a coefficient reflecting cost-of-living differences. Nevertheless, the adjustment will apply only to the amount of final average remuneration corresponding to the pensionable remuneration of a staff member at P.2, step XI. This new element - inappropriately termed a social factor - is in effect designed to grant less compensation to staff in higher grades in order to limit the cost of the measure.

The base point for the adjustment system has been fixed at New York (as a sine qua non for adoption of the proposal by the UNJSPB and the General Assembly). The UNJSPB has adopted a progressive scale of coefficients which will become applicable as from a floor level situated four classes of post adjustment above the base class. The following table indicates the method to be used:

Coefficients for cost-of-living Adjustment

<u>Number of post-adjustment classes above base</u>	<u>Coefficient</u>
Less than 4	0%
4	3%
5	7%
6	12%
7	17%
8	22%
9	28%
10	34%
11	40%
12 or more	46%

For application of these co-efficients a determination will be made, for the last 36 months in service, of the average difference between the post adjustment class at the base point and that in the country chosen for retirement. This adjustment will allow a staff member at grade P3 step VI retiring in Geneva to receive a pension representing 63 per cent of final average remuneration. As one can see, the Washington compromise is inequitably distributed. For whereas the Europe-based organizations have reduced their demands from 70 to 63 per

cent, persons retiring in the United States or in weak-currency countries keep all their advantages. One resolution of the General Assembly stipulated that any change in the pension adjustment system must not imply an increased financial burden for the member States. That requirement is fulfilled. In the long term, the Washington proposal should result in only a slight increase in the actuarial deficit of the Pension Fund, estimated at US\$160 million (it should be noted that the assets of the Pension Fund total US\$2,000 million); but another decision by the UNJSPB should make it possible to offset the expected actuarial deficit. As from 1 January 1981, pensionable remuneration will be adjusted periodically by application of a two-fold index mechanism, the weighted average of post adjustments (WAPA) being applied to adjust pensionable remuneration for purposes of Pension Fund contributions, and the consumer price index (CPI) in the United States being applied to adjust pensionable remuneration for purposes of benefit payments. In other words, the foreseeable increase in actuarial obligations will be offset by a slower increase in pensions.

Lastly, the UNJSPB has decided that the Washington proposal would be applicable to General Service staff and to existing pensioners.

In conclusion, it must be underlined that the proposal put forward before the General Assembly is already the fruit of major concessions by the Europe-based organizations, and is far from what those organizations considered only recently as being an acceptable minimum. It is essential, therefore, that the proposals be adopted as they stand. Moreover, one must bear in mind that they are of limited scope because even now they are quite inadequate in the case of pensioners choosing, for example, to retire in Japan where the cost of living is so high that the percentage of total remuneration that the pension represents is already well below the 63 per cent mentioned above. Any new economic or monetary disturbances would be likely to increase the number of countries where the situation would become untenable for pensioners.

B. INTERNATIONAL TRADE CENTRE UNCTAD/GATT

## I. AUDITED ACCOUNTS FOR 1978-1979

53. The Committee took note of the Financial Report and Accounts for the Biennium 1978-1979 ended 31 December 1979 and Report of the Board of Auditors, contained in document A/35/5 which, under the agreed administrative arrangements for the International Trade Centre, was submitted to the United Nations General Assembly for approval.

54. The Committee noted in particular that the United Nations Board of Auditors in its report on the 1978-1979 accounts (document A/35/5, page 7, paragraphs 8-11) had drawn attention to the fact that revisions to the Centre's final performance report for that biennium were made by the United Nations without consultations with ITC and the GATT. As a result, the General Assembly and GATT approved two differing budgets for the Centre. Similar revisions made by the United Nations for 1976-1977 had resulted in differing amounts being approved. This unco-ordinated approach appeared to weaken the Centre's budgetary control. The Auditors recommended that ITC should initiate action to establish procedures acceptable to the Centre and its parent bodies for the preparation, review and approval of its budget submissions and performance reports. The Auditors had noted that the Centre had proposed amendments to the United Nations Financial Rules in this connexion.

## II. FIRST PERFORMANCE REPORT FOR 1980-1981

55. The Committee examined the First Performance Report on the Programme Budget for the Biennium 1980-1981, contained in document ITC/OD/BUD/8, and noted that the additional requirements set out therein resulted from adjustments made by the Centre, in conformity with instructions received from the United Nations, to take account of inflation at the rate of 5 per cent per annum and of changes in the US dollar/Swiss franc exchange rate since the budget was approved.

56. The Committee recommends that the CONTRACTING PARTIES approve the revised estimates of expenditures of the International Trade Centre UNCTAD/GATT for the biennium 1980-1981 in the amount of US\$17,943,600 (1980: US\$8,934,200; 1981: US\$9,009,400). A contribution of US\$8,866,300 will be made to the Centre for the biennium from the 1980 and 1981 GATT budgets (1980: US\$4,433,100; 1981: US\$4,433,200) on the assumption that a like amount will be borne by the United Nations, that US\$153,400 (1980: US\$10,400; 1981: US\$143,000) will be forthcoming as miscellaneous income and that a transfer of US\$57,600 will be made to the 1980 budget from surplus. At the rate of US\$1/SwF 1.67, the rate used in the recalculation of the 1981 provisions in the ITC budget, the revised amount to be provided in the 1981 GATT budget is SwF 7,403,000.

57. In view of the comments made by the United Nations Board of Auditors in connexion with unco-ordinated revisions to the Centre's regular budget (see paragraph 54 above), the Committee hoped that the UN budgetary organs would take into account the above recommendation when reviewing the Centre's Performance Report.

POINT FOR DECISION: Paragraph 56