

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 31 March 1982, met at the Centre William Rappard, Geneva, on 12 May 1982.
2. The Committee was chaired by Mr. P.K. Williams of the United Kingdom and the following eighteen members attended:

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

Romania and Turkey were represented by observers.

Final Position of the 1981 GATT Budget

3. During the Committee's examination of the Final Position of the 1981 GATT budget, contained in document L/5298, a representative of the secretariat recalled that, for reasons that the Committee had noted at its meeting in October 1981, net over-expenditure in 1981 amounted to SwF 186,583. This resulted from total over-expenditure of SwF 991,105, partially offset by savings of SwF 604,522 and by the utilization of the entire provision for Unforeseen Expenditure of SwF 200,000.
4. At its meeting in October 1981 the Committee had recognized that considerable over-expenditure was expected to occur in 1981 on certain budgetary items due to circumstances entirely outside the secretariat's control. The budgetary items concerned were principally those for common staff costs and for GATT's contribution to the International Trade Centre UNCTAD/GATT. In fact, the Committee had noted at that time that increases in dependency allowances, sickness insurance and education grants had been approved by the United Nations General Assembly subsequent to the adoption of the GATT budget. In addition, the Committee had been informed that as a result of exchange rate fluctuations, Pension Fund contributions were being paid at much higher US dollar/Swiss franc exchange rates than had been foreseen at the time that the GATT budget was approved.
5. The representative of the secretariat pointed out that the Director-General had made every possible effort to compensate the unavoidable additional expenditure by reducing expenditure in other areas of the budget and the result had been a much lower deficit on the expenditure budget than was anticipated last October. However, as a result of the increased level of contracting parties' contributions in arrears at 31 December 1981, it had been necessary to make a withdrawal of SwF 1,608,491 from the Working Capital

Fund and the remaining balance on the Working Capital Fund at 31 December 1981 thus amounted to less than SwF 900,000.

6. A member of the Committee expressed his Government's appreciation for the efforts that had been made by the secretariat in order to reduce overspending to a minimum. However, his authorities shared the secretariat's concern in connexion with the situation that had given rise to the need to withdraw heavily from the Working Capital Fund.

7. The Committee recommends that the Council approve the Final Position of the 1981 Budget of the GATT, contained in document L/5298, and authorize the increase in the original appropriations for 1981 by SwF 186,583 by financing from excess 1981 income, as set out in paragraph 8 of document L/5298.

8. The Committee further recommends that the Council authorize the transfers between sections of the 1981 budget, set out in paragraph 9 of document L/5298.

Outstanding contributions

9. Referring to the note that the Director-General had made available to the Committee on the subject of outstanding contributions, contained in document Spec(82)46, the representative of the secretariat drew the Committee's attention to the very high level of contributions due from contracting parties at present. The Committee had seen that the position had been so serious at 31 December 1981 that a very substantial withdrawal of over SwF 1.6 million had had to be made from the Working Capital Fund. The situation continued to be very serious in the first months of 1982 and showed a marked deterioration compared with previous years. The liquidity situation was a source of very great concern for the secretariat, and, unless substantial amounts of contributions were to be forthcoming soon, recourse to borrowing might be necessary in order to ensure the continuity of the secretariat's current payments, with, of course, the consequent and inevitable charge of interest to the budget. The Committee had examined the question of arrears of contributions on several occasions over the past few years and possible courses of action had been considered. However, no definite recommendation had been made by the Committee in this regard and it had now become necessary that the subject be looked at again with a view to the recommendation of remedies or solutions, either on the basis of the Director-General's proposal to charge interest on outstanding contributions, contained in the note before the Committee, or by other means such as, for example, the possibility of increasing the Working Capital Fund. It should be borne in mind that if no steps were taken, borrowing from banks with the concomitant payment of interest would be inevitable.

10. In answer to questions the representative of the secretariat stated that regular reminder letters were sent to all contracting parties with balances of unpaid contributions requesting that the secretariat be informed as to when payment might be expected. The results of this measure, however, had been disappointing. In this connexion, every opportunity was taken to make use of

personal contacts with representatives of governments both in Geneva and in capitals, taking advantage of GATT missions to countries with arrears. Every endeavour had been made to encourage governments with several years' arrears to arrange a system of instalment payments to settle progressively outstanding amounts and the secretariat had been successful in making such arrangements with two contracting parties.

11. Several members of the Committee, while sympathizing with the secretariat's problems and sharing its concern, pointed out that if it became necessary to borrow money from banks against payment of interest, such charges would be payable by all contracting parties, in proportion to their share of the GATT budget, regardless of whether their contributions were fully paid up or not. Governments which paid their contributions regularly and early in the year were also at a disadvantage as they were deprived of the possibility of investing and earning interest on their funds. There was a great temptation for these governments to follow the example set by those who delayed the payment of their contributions.

12. Some members felt that it was important to distinguish between governments whose arrears of contributions could be considered to be chronic and those who, for one reason or another, delayed the payment of the current contribution within the fiscal year or to the following year. While the collection of long-outstanding arrears was a very serious problem, the amounts concerned were relatively small. On the other hand, although the payment of the greater part of the still outstanding 1981 and 1982 contributions could be expected, the delays in paying them were causing serious cash flow difficulties, and the members of the Committee undertook to request their own governments to pay promptly in order to set an example for other contracting parties.

13. With regard to the possibility of charging interest on arrears of contributions, some members of the Committee foresaw difficulties and, while not wishing to close discussions on this issue, could not take a decision at this time. The Committee did not examine, however, the possibility of increasing the Working Capital Fund. It expressed appreciation of the secretariat's efforts in connexion with the collection of arrears of contributions and requested that they be intensified. The Committee would reconsider the whole question of outstanding contributions again at a meeting to be held in late June or early July.

Financing of the Ministerial Meeting

14. The Committee noted that unforeseen additional costs of some SwF 35,650 would accrue to the 1982 GATT budget in respect of the Ministerial Meeting to be held in November 1982 but that the Director-General was confident that they could be covered within the approved budget, taking into account the existence of the budgetary provision for unforeseen expenditure. The Committee decided to maintain this matter on its agenda.

Remuneration for the General Service Category

15. The Committee had before it document C/W/382 setting out the development of the situation with regard to the salaries of staff in the General Service category. On 31 March 1982 the Council examined the question of a 3 per cent increase in salary for staff in this category on the lines of the increase already implemented by ILO with effect from 1 March 1981 and decided to refer the matter to the Committee.

16. The Chairman of the GATT Staff Council addressed the Committee and informed the members that staff in the General Service category had suffered a loss in real income over the five-year period since salaries had been frozen and that the situation for such staff was now one of inequity. As the Governing Body of ILO had approved an increase for its General Service staff, the Director-General of GATT in consultation with the executive heads of other Geneva-based international organizations had undertaken to obtain the means of granting a similar increase for their staffs in the interests of common and equitable remuneration conditions.

17. With regard to another aspect of common employment conditions, the Chairman of the Staff Council drew the Committee's attention to the fact that, in order to alleviate the situation of career staff members who were blocked at the maximum step of their grade for a number of years, ILO and WHO granted additional steps to such staff members on the basis of long service. He requested the Committee to consider the possibility of granting additional steps to long-serving and meritorious GATT staff members on the basis of the system applied by WHO, and suggested that the Joint Contact Group might be convened to consider this matter.

18. As regards the question of a 3 per cent salary increase the Committee, while expressing sympathy for the GATT staff and understanding of their problems, noted that salary increases had been granted to staff in the General Service category and that the present salary scale had almost reached the 31 December 1977 level. The Committee accepted the position adopted by the International Civil Service Commission and considered the situation at ILO to be anomalous. ICSC was the expert body in this field and it was still hoped that ILO would reconsider its decision. With regard to the question of additional steps, the Committee would reconsider this question on the basis of a recommendation to be made by the Director-General.

Rental of GATT Accommodation at Centre William Rappard

19. The Committee took cognizance of the Director-General's note, contained in document Spec(82)47 in which he informed that the Fondation des Immeubles pour les Organisations Internationales (FIPOI), the owner of the Centre William Rappard, had decided to raise the annual rental payable by GATT from SwF 1,195,700 per annum to SwF 1,434,800 per annum with effect from 1 January 1983 and for the period 1983-1986. A similar increase had already been accepted in respect of the rents payable by the other tenants of the Centre William Rappard, the Office of the United Nations High Commissioner for Refugees and the Graduate Institute of International Studies.

20. The Director-General believed that such a decision was in conformity with the terms of the lease which had been signed after formal approval of the Council. He felt also that the justifications put forward by FIPOI were acceptable and, therefore, informed the Committee of his intention to sign the relevant addendum to the lease.

21. Several members of the Committee expressed doubts, however, as to the soundness of the justifications for such an increase and requested the secretariat to provide the Committee with more detailed explanations.

22. The representative of the secretariat, while indicating that the information requested would be provided, reiterated that the lease, which had been signed after examination and approval by the Committee, contained a clause enabling the owner to review the annual rent if circumstances warranted. He pointed out that FIPOI was a non-profit making institution which applied much lower rates of rental than those used in the commercial market. The rent payable by GATT reflected only actual costs incurred by FIPOI, as well as the maintenance of an appropriate reserve for meeting the cost of essential improvements to be carried out often at the request of GATT itself.

23. Pending submission by the secretariat of more detailed information, the Committee decided to postpone further consideration of this matter.

Contributions to International Trade Centre UNCTAD/GATT

24. The representative of the secretariat drew attention to the Director-General's note on the subject of contributions to the International Trade Centre UNCTAD/GATT (document Spec(82)45) which had been circulated to the members of the Committee and to his report on discussions with representatives of the Centre and of the United Nations concerning exchange and inflation rates to be applied to budgets of the Centre. He reiterated that the final situation for 1981 had not been as bad as had been originally feared due to the fact that the market exchange rates applicable to GATT's payments to the Centre during the latter part of 1981 were lower than the budgetary rate as revised by the United Nations. However, the revised Centre budget rate for 1982 was US\$1/SwF 1.76 and the average market rate for payments to the Centre in 1982 so far was US\$1/SwF 1.90. GATT was, therefore, once again in a position where the Swiss franc payments to the Centre in 1982 could be expected to exceed the provision in the 1982 GATT budget. If the market rate decreased and/or if, as was hoped, the United Nations revised the Centre budget by adjusting the budgetary exchange rate more closely to actual market and official, internal accounting rates, the GATT budgetary provision would still be exceeded, but to a lesser degree.

25. As it was clear that the United Nations would continue to modify the exchange and inflation rates applicable to Centre budgets, at the same time as those of other UN bodies, without consulting the Centre or GATT, the representative of the secretariat said that it had become necessary to consider the possibility of making a unilateral additional provision in future

GATT budgets to cover possible additional requirements resulting from adverse currency fluctuation and inflation.

26. The Committee took note of the contents of the Director-General's note and of the statement made by the representative of the secretariat and decided to revert to this matter at its next meeting.