

GENERAL AGREEMENT ON

RESTRICTED

L/6497
28 April 1989

TARIFFS AND TRADE

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REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

INTRODUCTION

1. The Committee on Budget, Finance and Administration met at the Centre William Rappard, Geneva on 26 and 27 April 1989.

2. The Committee was chaired by Mr. K. Broadbridge of Hong Kong and the membership of the Committee was as follows:

Australia	India	Singapore
Belgium	Israel	Spain
Canada	Italy	Sweden
Chile	Jamaica	Switzerland
France	Japan	United Kingdom
Germany, Fed. Rep.	Korea, Rep. of	United States
Hong Kong	Malaysia	Zaire
Hungary	Nigeria	

3. The Chairman, the Director-General and members of the Committee paid tribute to the contribution of the outgoing Chairman H.E. Mr. K.G.A. Hill of Jamaica. The Director-General and the members of the Committee congratulated Mr. Broadbridge on his appointment as Chairman.

I. DIRECTOR-GENERAL'S REPORT ON THE 1987 ACCOUNTS AND REPORT OF THE EXTERNAL AUDITOR THEREON (L/6416)

4. The Committee examined the Director-General's Financial Report on the 1987 Accounts and the Report of the External Auditor thereon.

5. In reply to one member of the Committee a member of the Secretariat said that the contributions in arrears amounted to Sw F 17,202,996 as at 31 December 1986 and to Sw F 22,572,611 as at 31 December 1987. Consequently, the provision for contributions in arrears had to be increased by Sw F 5,369,615 as of 31.12.1987.

6. The Committee recommends to the Council that the CONTRACTING PARTIES approve the audited accounts for 1987 and convey to the External Auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of these accounts.

II. FINAL POSITION OF THE 1988 BUDGET OF THE GATT (L/6482)

7. The Committee examined the document on the Final Position of the 1988 budget of the GATT and heard explanations by a representative of the Secretariat.

8. It was noted that budgetary savings amounted to Sw F 1,181 while miscellaneous income fell short by Sw F 176,761. An overall deficit of Sw F 272,065 occurred as of 31 December 1988 which was covered by a transfer from the Working Capital Fund.

9. One member of the Committee noted that some of the over-expenditures reported were on items over which the Secretariat had no control, such as meetings, postage and documentation. However, expected over-expenditure on discretionary items such as missions, printing and permanent equipment should be brought to the Committee's attention before the over-expenditure is made. Another member noted that the level of contributions received in 1988 had improved as compared with earlier years and he hoped that this trend would continue.

10. In order to cover over-expenditure on certain sections of the Budget, the Committee recommends to the Council that the transfers between budgetary sections be approved as follows:

<u>From:</u>	<u>Sw F</u>	<u>To:</u>	<u>Sw F</u>
<u>Part I: Meetings</u>		<u>Part I: Meetings</u>	
Section 1 - Forty-fourth Session of the CONTRACTING PARTIES	12,551	Section 2: Meetings of the Council and other Meetings	85,726
<u>Part II: Secretariat</u>		<u>Part II: Secretariat</u>	
Section 3 - Salaries	6,068	Section 7 - Common Services	77,463
Section 4 - Dispute Settlement Panels	48,650	Section 8 - Printing	50,640
Section 5 - Missions	3,413	Section 10 - Permanent Equipment	11,646
Section 6 - Common Staff Costs	130,437		
Section 9 - Representation and Hospitality	9,627		
<u>PART IV: Trade Policy Training Courses</u>		<u>PART V: Uruguay Round</u>	
Section 13 - Trade Policy Training Courses	93,021	Section 14: Uruguay Round	473,396
<u>PART VI: Integrated Data Base</u>			
Section 15 - Integrated Data Base	81,399		
<u>PART VII: International Trade Centre UNCTAD/GATT</u>			
Section 16 - International Trade Centre UNCTAD/GATT	313,705		
	698,871		698,871
	=====		=====

III. TRANSFERS BETWEEN BUDGETARY SECTIONS (Spec(89)13)

11. A member of the Secretariat outlined the historical background to budgetary practice in GATT and pointed out that in 1959, when the question first arose, the CONTRACTING PARTIES gave the Director-General the authority to make budgetary transfers and requested him to report to the CONTRACTING PARTIES as soon as possible after the end of the financial year, thereby recognizing the need for flexibility. In accordance with this practice, the Director-General reports in October of the financial year on any difference between actual expenditure and budget estimates (both over and under expenditure) that has occurred or that could be anticipated as of 31 December. He further reports after the close of the financial year any overspending which is approved retroactively by the CONTRACTING PARTIES.

12. One member of the Committee said that the question of retroactive approval of items of over-expenditure raised an important point of principle. He repeated that such retroactive approval was appropriate for items over which the Secretariat had little control such as meetings and documentation but that for such discretionary items as missions, permanent equipment and printing, the Committee's approval to overspend should be sought in advance. The Deputy Director-General agreed that the Secretariat would do this whenever possible.

13. In order to improve transparency, the Committee asked the Secretariat to provide it with information each month as from the end of May on the budgetary situation, with details of headings for which overspending or underspending may occur, and consequently for which transfers are likely to take place at the end of the financial year. The present practice whereby final transfers between sections of the budget are formally approved after the close of the financial year will be maintained.

IV. NUMBER OF MEETINGS (Spec(89)14)

14. A member of the Secretariat said that over-expenditure on the budget item for meetings had been a problem for many years and the Committee would have to consider either allocating adequate funds for meetings or devising methods to restrict the number of meetings.

15. The Secretariat said that it was difficult to make accurate forecasts of meetings - for example it had not been anticipated that so few meetings would be held during the first quarter of 1989.

16. Members of the Committee pointed out that they would have reservations about limiting the number of meetings because the meetings process was an integral part of the GATT. It would be difficult to put limitations in place without perhaps endangering the negotiation process. There might, however, be room for greater co-operation between chairmen of Committees/Negotiating Groups and the Secretariat in order to exercise an appropriate economy.

V. INCREASE IN THE VOLUME OF DOCUMENTATION (Spec(89)15)

17. A member of the Secretariat drew attention to the increase in the number of pages reproduced by the Secretariat: from 29 million pages in 1983 to 51 million in 1988. He said that the Secretariat had little control over this process and noted that some organizations had placed restrictions on the size of reports by specifying that they should contain no more than a certain number of pages.

18. It was noted that the provision of documentation, like meetings, was an integral part of the GATT process. It was agreed that provision of documentation, and the need for appropriate economy, should be left to the good sense of the chairmen of the various Negotiating Groups and Committees in liaison with the Secretariat.

VI. MAILING PROCEDURES (Spec(89)16)

19. A member of the Secretariat said that the Secretariat was constantly looking for ways of reducing mailing costs. For example, the use of delegation boxes had been encouraged and mailing lists were regularly updated to try to reduce the number of documents and addressees. However, it had no instructions which would allow it to limit the number of documents requested by delegations. He emphasized the need for the Committee to examine this matter and give directives to the Secretariat.

20. There was general agreement in the Committee that the proposal in paragraph 6 (a) of Spec(89)16 i.e. limiting documentation by reference to each contracting party's budgetary contribution, would not be acceptable. One member said that it would be difficult to explain any diminution in the level of service to capitals, which was highly appreciated, while at the same time contributions to GATT were increasing. Another member suggested that only one copy of a document should be sent by air mail and the rest by surface mail. Yet another member said that contracting parties should be made aware of the production and mailing cost of any long documents requested, that contracting parties should re-examine their mailing lists with a view to reducing them, that reducing the number of documents available in the conference rooms could be considered and that there might be a charge for documents requested by delegations in addition to those distributed under the mailing lists.

21. One member said there was a need to ensure access to documents, even if this led to a certain overprovision.

22. The Chairman said that the Committee should reflect on the useful suggestions from the Secretariat and members and return to this subject at a subsequent meeting. As a simple first move each contracting party might be asked to review its mailing list, emphasizing that in so doing savings could be achieved.

VII. SICKNESS INSURANCE FOR GATT STAFF (Spec(89)9)

23. A member of the Secretariat referred to the discussions which had taken place last year in the Budget Committee on sickness insurance when it was pointed out that due to its precarious financial situation and the prospect of further increases in contributions an alternative to the United Nations Mutual Insurance Society was being sought. The decision to seek an alternative was prompted by the continuously increasing cost of participating in the scheme and the fact that GATT, as one of the two smaller partners, had not been able to exert adequate control over the management of the scheme. The objective was to identify an insurance which would provide a similar level of benefits at costs that did not exceed those which would have to be met if GATT remained in the UN scheme and at the same time guaranteeing a certain stability in these costs with more control over the arrangements. He said that the Director-General had decided that with effect from 1 July 1989 health insurance for GATT staff and retirees would be provided by the Caisse Maladie Suisse d'Entreprise (CMSE).

24. It was pointed out that the 1989 budget contained a provision of Sw F 908,000 for sickness insurance whereas the cost in 1989, with six months covered under the new arrangement, is expected to be Sw F 1,040,000 giving a shortfall of Sw F 132,000. If, however, GATT were to remain in the UN arrangement, the shortfall would have been an estimated Sw F 140,000.

25. In response to questions from the Committee, it was pointed out that the companies that had been invited to tender only three had presented offers meriting detailed examination. Three months notice had been given to the UN Scheme and the CMSE were taking all GATT members into their scheme without conditions. Furthermore, no one would have to pay more, on average, in premiums to the CMSE than presently paid to the UN Scheme.

26. The Committee recommends to the Council that the Director-General be authorised to overspend the provision for "other common staff costs" in the 1989 budget by Sw F 132,000. The Director-General will make every effort to cover this overspending by savings in other budgetary sections but if this is not possible the Committee recommends to the Council that the additional expenditure be met by a withdrawal from the Working Capital Fund.

VIII. CASH SITUATION AS AT 21 APRIL 1989 (CRP.4(89)1)

27. The Committee took note of a Secretariat paper outlining the cash situation at 21 April 1989, 21 April 1988 and 21 April 1987. A member of the Secretariat drew the Committee's attention to the increase in the funds available and the increase in contributions received. It was noted that the cash situation had improved largely due to the attention focused by the Committee on the cash situation in 1988 and its recommendations on ways to improve it.

28. With regard to instalment payments for countries with contributions in arrears, a progress report will be delivered at the next meeting of the Committee. It was noted that the Secretariat has been in contact with all contracting parties concerned. It was reported that all observer countries had been invited to contribute a minimum of Sw F 1,000 towards the cost of documentation services provided by the Secretariat, and so far four had done so.

29. In conclusion the Committee noted that the improved cash situation was a positive development and that the Secretariat would provide it with further reports reports at each meeting of the Committee.

POINTS FOR DECISION: Paragraph 6
Paragraph 10
Paragraph 26