

# GENERAL AGREEMENT ON

RESTRICTED

L/6695

29 June 1990

# 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 on 11 May and 8 June 1990.

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

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

3. At these meetings Bangladesh, the Czech and Slovak Federal Republic, the United Republic of Tanzania and Turkey were represented by Observers.

#### I. FINAL POSITION OF THE 1989 BUDGET OF THE GATT (L/6668)

4. The Committee noted that the originally approved budget was overspent by Sw F 325,802, which was lower than had been foreseen in October 1989 (L/6577). The excess expenditure was the result of factors (such as decisions taken by the United Nations General Assembly and the April 1989 Trade Negotiations Committee meeting), which were unknown and could not have been anticipated at the time the 1989 budget estimates were presented. They thus had to be considered as extraordinary expenditure under paragraph (iii) (b) of the rules governing the use of the Working Capital Fund (Spec(86)6/Rev.1, Annex II) and would be reimbursed to the Fund by including an appropriate credit in the 1991 budget.

5. One member of the Committee stressed the need to keep expenditure in line with the budget appropriation. In relation to the overspending of Sw F 325,802 in the 1989 budget, he said that his delegation would be seeking cuts of this amount in the 1991 budget to offset this excess expenditure.

6. In order to cover the overall excess of expenditure amounting to Sw F 325,802, the Committee recommends that the Council approve an increase in the original appropriation and the use of the unappropriated balance of Sw F 26,000 under the Trade Policy Review Mechanism as follows:

|   | <u>Sw F</u>      |
|---|------------------|
| Section 3 - Salaries  | 200,729          |
| Section 6 - Common staff costs:<br>Contribution to United Nations<br>Joint Staff Pension Fund | 151,073          |
| Section 15 - Trade Policy Review Mechanism  | <u>(26,000)</u>  |
|   | 325,802<br>===== |

7. The Committee recommends to the Council that the amount of Sw F 325,802 be withdrawn from the Working Capital Fund under paragraph (iii)(b) of the rules governing the use of the Fund.

8. The Committee recommends to the Council that the transfer between budgetary sections be approved as follows:

|  | <u>Sw F</u>        |
|--|--------------------|
| <u>Transfers from:</u>   |                    |
| <u>Part I: MEETINGS</u>  |                    |
| Section 1 - Forty-fifth session of the CONTRACTING PARTIES                 | 6,870              |
| Section 2 - Meetings of the Council and other meetings                     | 1,834              |
| <u>Part II: SECRETARIAT</u>  |                    |
| Section 4 - Dispute settlement panels                                      | 20,514             |
| Section 7 - Common services  | 107,711            |
| Section 9 - Representation and hospitality                                 | 11,110             |
| <u>Part V: INTERNATIONAL TRADE CENTRE UNCTAD/GATT</u>                      |                    |
| Section 14 - Contribution to the International<br>Trade Centre UNCTAD/GATT | <u>987,591</u>     |
|  | 1,135,630<br>===== |

Sw F

Transfers to:

Part II: SECRETARIAT

|                                  |         |
|----------------------------------|---------|
| Section 5 - Missions             | 45,143  |
| Section 6 - Common staff costs   | 603,583 |
| Section 8 - Printing             | 57,682  |
| Section 10 - Permanent equipment | 116     |

Part III: TRADE POLICY TRAINING COURSES

|  |       |
|--|-------|
| Section 12 - Trade Policy Training Courses | 3,708 |
|--|-------|

Part IV: URUGUAY ROUND

|                            |         |
|----------------------------|---------|
| Section 13 - Uruguay Round | 360,869 |
|----------------------------|---------|

Part VI: TRADE POLICY REVIEW MECHANISM

|  |               |
|--|---------------|
| Section 15 - Trade Policy Review Mechanism | <u>64,529</u> |
|  | 1,135,630     |
|  | =====         |

II. CASH SITUATION (CRP.5(90)6)

9. The Committee examined the cash situation as at 7 May 1990. Fifty-eight per cent of the current year's assessments had been received as at 7 May, in comparison with 56 per cent at the same date in 1989 and 50 per cent in 1988. In addition, the level of prior years' contributions received in 1990 was higher than in both of the previous years. The funds available at 7 May 1990 were sufficient to cover the Secretariat's running costs for nearly five months.

III. DECISIONS OF THE UNITED NATIONS GENERAL ASSEMBLY  
AFFECTING CONDITIONS OF SERVICE OF GATT STAFF - BUDGETARY  
IMPLICATIONS (Spec(90)15)

10. The Committee noted the recommendations before the Forty-fourth session of the General Assembly of the United Nations put forward by the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Board, in document Spec(89)45 of 20 September 1989. They concerned conditions of service of staff in the Professional and higher categories and pensions. The budgetary implications for GATT in 1990 had been estimated at Sw F 1,240,000 but finally only an amount of Sw F 600,000 had been included in the 1990 Budget.

11. The Committee also noted the decisions taken by the General Assembly: a new net salary scale and changes in calculation of post adjustments for Professional and higher category staff (and a new cost-of-living survey to be carried out in Geneva before the end of 1990); additional steps for Professional staff at the top of grade; an increase in disabled child allowance; a change in the calculation of lump-sum amounts payable in respect of unused annual leave upon cessation of service; a change in the calculation of repatriation grants; an increase in the rate of the Organization's contribution to the United Nations Joint Staff Pension Fund from 15 per cent to 15.8 per cent and a new scale of pensionable remuneration, in document Spec(90)15 of 1 May 1990.

12. The budgetary implications of the General Assembly decisions for GATT in 1990 were now estimated at Sw F 940,000. The Committee noted that the Secretariat would make every effort to cover the shortfall of Sw F 340,000 from savings in other areas of the budget. However, should this not be possible, it would be necessary to cover it by a withdrawal from the Working Capital Fund at the end of 1990. A member of the Committee recalled that in the United Nations, the Secretary-General had been urged to absorb a substantial part of the additional costs, not only in the existing budget, but also in the future.

IV. RENTAL OF MEETING ROOMS OUTSIDE CENTRE WILLIAM RAPPARD (CWR)  
(CRP.5(90)1 and CRP.6(90)1)

13. As part of the monitoring of the 1990 Budget, a member of the Secretariat said that a meeting had been held outside the CWR on 5 April, three were scheduled for June and two for July.

14. The Committee noted that the CIG was not available for the meeting of the Trade Negotiations Committee (TNC) and the Group of Negotiations on Goods (GNG) scheduled in July. After having considered the possibility of holding these meetings in CWR, the renting of one room at the International Labour Office, with a capacity of 375 (as against 250 for the Council Room of the CWR) at a cost of Sw F 14,000 was accepted. This would allow a seating allocation as for the April 1989 TNC meeting.

V. INSTALMENT PAYMENTS FOR COUNTRIES WITH CONTRIBUTIONS IN ARREARS - PROGRESS REPORT (CRP.5(90)2)

15. The Committee noted that of the thirty-two contracting parties assessed in 1988 at the minimum contribution level of 0.12 per cent with arrears outstanding for 1987 and earlier, ten had paid a total amount of Sw F 612,398 in respect of these arrears.

16. There were six contracting parties liable for tailor-made arrears repayment schemes. Argentina had paid its arrears in full; Cuba had made a partial payment of Sw F 14,708 in 1989 and the Philippines after having settled their arrears for 1988, 1989 and 1990 had paid Sw F 5,468 with regard to arrears for 1986. Peru had announced a payment and Romania having settled its arrears for 1988, 1989 and made a partial payment of its 1990 contribution, had announced payment of its arrears for 1987 and earlier over a period of ten years commencing in 1991. The representative of the United States said that the President's budget proposals included a provision for arrears to international organizations, including the GATT. He said that he hoped to be in a position to put forward a payment plan in the near future.

VI. AVOIDANCE OF ARREARS IN THE FUTURE - PROGRESS REPORT (CRP.5(90)3)

17. To date, six contracting parties had one full year's contribution outstanding, one had more than one but less than two years' contributions outstanding, and sixteen had more than two but less than three years' contributions outstanding (see document CRP.5(90)3 at Annex I).

VII. CONTRIBUTIONS BY OBSERVER COUNTRIES TOWARDS THE COST OF DOCUMENTATION SERVICES PROVIDED BY THE SECRETARIAT - PROGRESS REPORT (CRP.5(90)4)

18. At 30 April 1990, fifteen countries had contributed a total of Sw F 14,474 for 1990 while for the whole year 1989, twenty-one countries had contributed a total of Sw F 21,000. In the case of Observers who had not paid the 1989 contribution documentation was being sent only to a single address and, for those Observers with missions in Geneva, documentation had to be collected at the Centre William Rappard.

VIII. ANALYSIS OF EXPENDITURE ON GATT REGULAR ACTIVITIES AND URUGUAY ROUND ACTIVITIES 1988-1989 (Spec(90)18)

19. The Committee noted that between 1988 and 1989 expenditure on Uruguay Round activities went up by 37.80 per cent while expenditure on GATT regular activities went up by 5.17 per cent and total expenditure increased by 6.17 per cent.

20. In 1989, of GATT's total expenditure, expenditure on Uruguay Round activities represented 8.44 per cent; expenditure on GATT regular activities represented 76.71 per cent; expenditure on the Trade Policy Review Mechanism represented 0.83 per cent and the International Trade Centre represented 14.02 per cent.

IX. PREPARATION OF THE 1991 BUDGET ESTIMATES  
(Spec(90)21)

21. The Chairman explained that the 1991 budget would normally be prepared by the Secretariat in the first months of 1990 and examined by the Budget Committee in September/October 1990, following which the Committee's report and recommendations would be considered by the Council and thereafter by the Forty-sixth session of the CONTRACTING PARTIES. He added that this year the Secretariat could not responsibly prepare the budget estimates as they could not assess the impact of the Uruguay Round on the duties and responsibilities of the GATT.

22. The Committee agreed to defer the presentation of a final 1991 budget to early that year, after the outcome of the Uruguay Round would be known and its financial implications assessed. Pending the approval of the final 1991 budget, it was agreed to set an interim budget at the level of the total 1990 budget in order to meet unavoidable running costs of the Secretariat as from 1 January 1991. In order to monitor expenditure prior to approval of the 1991 final budget, a sub-committee of the Committee on Budget, Finance and Administration, under the Chairman of the Committee, would be established.

23. Any adjustment that might be necessary concerning the level of the budget and possible changes in trade shares, on which assessments were based, would be made following the Committee's examination of the final 1991 budget proposals by the end of March 1991 and subsequent approval by the Council and the CONTRACTING PARTIES.

24. The Committee also agreed that the interim budget would be considered by the Council in July 1990 and by the Forty-sixth session of the CONTRACTING PARTIES in November 1990. After the Trade Negotiations Committee meeting in December 1990, the Secretariat would prepare the final budget proposals for 1991 on which the Committee would report and make recommendations to the Council by the end of March 1991, for further consideration by the CONTRACTING PARTIES (possibly by mail ballot).

25. The Committee recommends to the Council that the Director-General's budget proposals for 1991 be presented as soon as possible after the Ministerial Meeting of December 1990. The Budget Committee will make recommendations to the Council before 31 March 1991 with regard to a draft resolution of the expenditure of the CONTRACTING PARTIES in 1991 and the ways and means to meet such expenditure.

26. Pending the approval of the final 1991 Budget, The Director-General is authorized to make budgetary expenditures not exceeding the allotments approved for 1990, i.e. 74,571,000 Swiss francs. This expenditure should be financed as follows:

(a) by contributions from contracting parties in the amount of 73,600,000 Swiss francs, assessed in accordance with the scale of contributions for 1990; contributions from contracting parties are considered as due and payable in full as at 1 January 1991;

(b) by miscellaneous income estimated at 971,000 Swiss francs.

27. In order to monitor expenditure prior to approval of the 1991 final budget a sub-committee of the Committee on Budget, Finance and Administration, under the Chairman of the Committee, would be established to ensure that only unavoidable expenditure is incurred.

28. In the light of the approved 1991 budget, contribution assessments on contracting parties would be adjusted as appropriate. Should the final assessment on a contracting party be lower than the amount assessed in accordance with paragraph 26 (a) above, the difference would be credited to the contracting party's account.

POINTS FOR DECISION: Paragraphs 6  
7  
8  
25  
26  
27  
28

Avoidance of arrears in the future

Progress report

1. At its meeting of 19-20 October 1988, the GATT Council of Representatives approved a recommendation of the Committee on Budget, Finance and Administration to the effect that the fundamental obligation to pay contributions in full be reinforced and that as from 1 January 1989 gradually implemented administrative measures regarding contributions outstanding as from 1988 be introduced.

2. Where appropriate, these measures would be applied after three months' notice by the Secretariat to the contracting party concerned and the granting of a grace period of one month (extended in the first instance to 30 June 1989). The measures provide, as a first step, that after one full year's assessed contribution remains outstanding:

- documentation would not be posted to delegations to the GATT in Geneva,
- representatives would not be nominated to preside over GATT bodies.

3. The contracting parties concerned were so notified by letter in March and June 1989. As at 30 April 1990, the 16 following contracting parties, having made no payment in respect of their 1988 contributions, are covered by these measures since 1 July 1989:

Antigua and Barbuda<sup>1/</sup>  
Benin<sup>1/</sup>  
Botswana<sup>1/</sup>  
Burundi  
Central African Republic<sup>1/</sup>  
Congo<sup>1/</sup>  
Gambia<sup>1/</sup>  
Ghana  
Guyana<sup>1/</sup>

Kenya  
Mauritania<sup>1/</sup>  
Niger<sup>1/</sup>  
Sierra Leone<sup>1/</sup>  
Suriname<sup>1/</sup>  
Uganda<sup>1/</sup>  
Zaire

4. Those contracting parties with delegations to the GATT in Geneva were notified again by letter in July and September 1989 that the measures were being implemented and that arrangements for collection of documentation in the Centre William Rappard had been made.

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<sup>1/</sup>No delegation in Geneva.



5. None of the above-mentioned contracting parties has settled its 1989 contribution. In accordance with the recommendations of the Committee on Budget, Finance and Administration, they will continue to be covered by the administrative measures outlined in paragraph 2 above together with the following additional measures, as from 1 May 1990:

- new membership to and participation in the Committee on Budget, Finance and Administration would be reserved for contracting parties whose contributions are paid or who have not more than one full year's assessment outstanding,
- documentation would not be posted to contracting parties,
- recommendations by the Committee on Budget, Finance and Administration to the Council or CONTRACTING PARTIES on financial matters would be acted on only by contracting parties whose contributions are paid or who have less than two full years' assessments outstanding.

They were so notified by letter in February 1990.

6. Seven additional contracting parties, having made no payment against their 1989 arrears, are covered by the administrative measures outlined in paragraph 2 above from 1 May 1990. They were so notified by letter in February 1990 and are as follows:

Argentina  
Chad<sup>1/</sup>/<sub>2/</sub>  
Dominican Republic

Haiti<sup>1/</sup>  
Lesoto<sup>1/</sup>  
Peru  
Rwanda<sup>1/</sup>

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<sup>1/</sup> No delegation in Geneva

<sup>2/</sup> As the 1988 contribution was only partially paid, Chad is also covered by the following additional administrative measure:

"new membership to and participation in the Committee on Budget, Finance and Administration would be reserved for contracting parties whose contributions are paid or who have not more than one full year's assessment outstanding."