

REPORT BY THE CHAIRMAN OF THE COMMITTEE ON BUDGET  
FINANCE AND ADMINISTRATION

Meeting of 1 April 1987

Salaries and pensions of GATT professional staff

1. The Committee was called on to consider the report of the Informal Advisory Group chaired by Mr. Feij (Netherlands) (Spec(87)10). The Committee had before it information prepared by the Secretariat concerning the situation in the common system as of March 1987, the effects of various proposals for adjusting salaries, and the budgetary implications of these proposals (CRP/87.4/1 and addendum). It also had before it a document prepared by the delegation of Jamaica on this subject (CRP/87.4/3).
2. At the same time the Committee was informed that at its 25th session in March 1987 the International Civil Service Commission (ICSC) had adopted a modification of the remuneration correction factor (RCF) which had the effect in Geneva of establishing a floor rate of exchange of Swf 1.70 to the US dollar. The Commission had also adopted a ceiling rate of exchange of Swf 2.13 which was the rate in effect at the time of the last New York/Geneva place-to-place cost-of-living survey, in October 1983. It had further decided that the modified RCF formula would be in effect from 1 April to 31 August 1987. The Committee noted that the modified formula would be applied in GATT.
3. The Director-General, while welcoming the action of the ICSC, did not consider that it went far enough in addressing the urgent and acute problems related to the erosion of professional salaries due to exchange rate fluctuations. He expressed the hope that the action by ICSC would not deter the Committee from giving the recommendations of the Informal Advisory Group the very serious consideration they deserved.

4. The Committee considered that GATT was de facto a part of the United Nations common system, and that the common system, through the ICSC, was addressing the issue of the deterioration of professional salaries with a view to finding a long-term solution to it. With regard to any temporary measures, however, it emerged that there were two principal schools of thought. There were those who thought that GATT should not take the initiative to adopt, even as a temporary response to the problem (pending the development of a durable solution), any arrangement which had not been discussed and approved in the common system. The recommendations of the Informal Advisory Group had not been considered by the common system bodies; therefore the members who held this line would not be able to agree that the recommendations relating to interim measures should be proposed to the Council for adoption in GATT. They considered that GATT should work within the common system bodies to develop, as a matter of urgency, an acceptable long-term solution. As a first step consultations should take place with representatives of ICSC and, as proposed in the report of the Advisory Group, ICSC should be asked to carry out a New York/Geneva place-to-place cost-of-living survey immediately, and not wait until 1989 when it was normally scheduled.

5. Other members considered that the proposals made by the Informal Advisory Group were in no way inconsistent with the common system of salaries and allowances. Even the application of the modified RCF formula would not correct the erosion in remuneration which had occurred due to the application of the post adjustment system. These members were prepared to explore the proposals of the Informal Advisory Group and to make recommendations on interim measures to the Council on that basis, on condition that the adoption of such proposals would not result in any additional costs which could not be accommodated within existing appropriations. It was confirmed by the Secretariat that this was the case.

6. The Committee noted that it was possible that deliberations inside the common system could be drawn out. Information was provided to the effect that the ICSC had entrusted examination of the whole problem in the first instance to the Advisory Committee on Post Adjustment Questions (ACPAQ), and that ACPAQ would meet in May and report its findings to the ICSC in July. To the extent that a durable solution involved a modification of the scale of post adjustments or any modification of a fundamental nature, the ICSC would have to submit the matter for approval to the United Nations General Assembly. In that case it would not be possible to introduce a new arrangement before 1 January 1988. Other solutions might not take as long to implement.

7. The Committee's attention was drawn to the link that existed between salaries and pensions, and it recalled that the Advisory Group had as part of its mandate to report to the Council on pension matters as well; the Group expected to submit its report on pensions to the present session.

8. The Committee was conscious of the effect of delay on the Professional staff of GATT, and it considered the measures that could be taken immediately and in the medium term. The Committee decided that two things should be done: first, explore further with other organizations in Switzerland and with the Commission the extent to which the proposals made by the Informal Advisory Group could be considered among the solutions to the problem of ensuring equitable treatment of staff among duty stations; this should include a discussion with the local representative of the ICSC secretariat. Second, the GATT Secretariat should continue to play an active role, within the existing bodies, in the search for a durable solution.

9. In the light of the foregoing, the Committee decided to recommend that the Council take the following action at its present session:

- (a) to request the ICSC to carry out immediately a New York/Geneva place-to-place cost-of-living survey.
- (b) to request the Chairman of the CONTRACTING PARTIES to communicate to the Chairman of ICSC the Contracting Parties' concern over the effects of exchange rate fluctuations on the remuneration of Professional staff, and the resulting instability, and to urge the ICSC to pursue the elaboration of an acceptable, durable long-term solution to the problem with diligence, in such a way that it might be in a position to take action at its 26th session in July 1987;
- (c) to request the Committee on Budget, Finance and Administration to keep the matter of remuneration under close review and to report to the Council on the outcome of the consultations which the Committee had decided should be undertaken. The Committee should also pay close attention to the link between salaries and pensions, using as a basis the report on pensions expected from the Advisory Group. The Committee is invited to make recommendations on both these matters, if possible, to the Council meeting of 14 May.