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

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

Italy, Nicaragua and Turkey were represented by observers.

Final Position of the 1980 GATT Budget

3. During the Committee's examination of the Final Position of the 1980 GATT Budget, contained in document L/5115, a representative of the secretariat drew the members' attention to the fact that, for the reasons that the Committee recognized at its meeting last October, the expenditure budget closed with a nil balance. 1980 had been a very tight budgetary year due principally to the greatly increased mass of documentation that the secretariat had had to process in connexion with the implementation of the new Multilateral Trade Negotiations agreements. In this connexion, replying to statements made by members of the Committee, the representative of the secretariat assured them that the application of all possible means of achieving budgetary economies would continue to be a major concern of the secretariat, particularly in view of existing national budgetary restraints.

4. Notwithstanding the nil result on the expenditure budget, a surplus of SwF 597,623 nevertheless accrued due to excess income, mainly in respect of interest earned on investments, and savings on previous year's outstanding obligations and as a result of the downwards adjustment of the provision for contributions in arrears. The Director-General proposed that this surplus be transferred to the Working Capital Fund after deduction of the amount of SwF 58,411 needed to cover the retroactive adjustment of salaries for staff in the General Service category and certain allowances as set out in document Spec(81)23 (see paragraph 8).
5. One member of the Committee stated that, in the opinion of his Government, the entire unencumbered balance of surplus accounts, as a general practice, should be returned to contributors on a pro rata basis by applying it to reduce contributions to the following year's budget. He would not in this instance, however, stand in the way of a consensus.

6. The Committee recommends that the Council approve the Final Position of the 1980 Budget of the GATT, contained in document L/5115, and authorize the transfers between sections of the 1980 budget, set out in paragraph 8 of document L/5115.

7. The Committee further recommends that the Council approve the transfer of an amount of SwF 501,887 to the Working Capital Fund from the unencumbered balance of SwF 597,623 on the surplus account. A decision with regard to the disposal of the remainder of the 1980 surplus, amounting to SwF 95,736, would be taken at the Committee's meeting in October 1981 with a view to its transfer to the 1982 income budget.

**Financing of the 1981 GATT Budget**

8. The Committee noted from document Spec(81)23 that increases in salaries and dependency allowances, retroactive to 1980, had been approved for staff in the General Service category and that, in addition, sickness insurance contributions for staff of all categories and the maximum amount payable for education grant to eligible staff had also been raised. The budgetary implications of these increases amounted to SwF 58,411 in respect of 1980 and approximately SwF 280,000 for 1981. The Committee was aware that the implementation of these increases in GATT represented the implementation of decisions taken by non-GATT bodies and that no provisions had been made in respect of these unforeseen additional charges to the 1980 and 1981 GATT budgets as they were not known at the time that the budgets were prepared or the decisions concerning them had not been taken. The Director-General had proposed that the increase be financed by transfer from the 1980 surplus account in respect of the financial implications for 1980 (see paragraph 4) and that the additional cost to the 1981 budget be met, to the extent possible, within the budget or by withdrawal from the Working Capital Fund. Some members of the Committee were of the opinion, however, that the amount of SwF 58,411, required to finance salary and allowance increases which had not been provided for in the 1980 budget, should be met from 1981 resources as the relevant payments had been made in 1981.

9. In answer to questions, the representative of the secretariat stressed that in pursuance of the Director-General's long-established policy, and in line with the sentiments expressed by the Committee,
efforts were being made to achieve savings within 1981 to cover the additional expenditure. However, he pointed out that the official estimate of inflation in Switzerland in 1981 was now in the region of 10 per cent while the budget estimates for 1981 had been approved by the Committee on the basis of an overall increase over 1980 of some 5 per cent. In addition, it was expected that, if the US dollar/Swiss franc exchange rate continued at its present high level of more than US$1/SwF 2.7, the estimate for pension fund contributions, which was included in the 1981 budget at a rate of US$1/SwF 1.74, would be exceeded by about SwF 300,000. In these circumstances the Committee was informed that it might not be possible to cover the additional expenditure from budgetary savings and recourse to the Working Capital Fund would then be unavoidable.

10. The Committee recommends to the Council that the additional cost of SwF 58,411 in respect of 1980 and additional expenditure of approximately SwF 280,000 for 1981, arising from the increases in salaries and allowances set out in document Spec(81)23, be financed to the extent possible from savings within the appropriate sections of the 1981 budget or by transfers from other sections. Should it not prove possible to finance these amounts fully in this way the Director-General would be authorized to transfer the necessary funds from Part III - Unforeseen Expenditure. Subject to prior approval by the Council, on the basis of a recommendation by the Committee on Budget, Finance and Administration, the Director-General may also have recourse to the Working Capital Fund, if necessary.

Exchange rate problems - Report of the Informal Contact Group

11. The Committee had before it the report of the Informal Contact Group, contained in document Spec(81)25, which had met in March and May 1981 at the request of the GATT Staff Association to consider the remedial effect that the measures adopted by the Thirty-fifth Session of the United Nations General Assembly, known as the "Washington Proposal", had had on the United Nations pension scheme.

12. During the course of the meeting of the Informal Contact Group, the Chairman of the GATT Staff Council had expounded the staff's point of view with regard to the Washington Proposal. He said that a thorough analysis of the remedies that had been adopted by the United Nations General Assembly could only lead to the conclusion that these remedies fell far short of what had been expected. They had done very little to reduce the inequities of the pension system and their modest contribution to the improvement of benefits affected by exchange rate fluctuations was subject to many uncertainties. In these circumstances, the staff considered that it was necessary to have a complementary pension scheme
in GATT, the purpose of which would be to provide supplementary benefits to bring the amount of pensions in relation to take-home pay in active service to a minimum of 65-75 per cent (after thirty years of contributory service). They also considered that the amounts credited to a Special Temporary Account following the Council's decision in 1978 should be used for the initial funding of the complementary scheme.

13. The representatives of the CONTRACTING PARTIES had expressed understanding and sympathy with regard to the staff's feeling of dissatisfaction but, after careful consideration were not able to agree to the implementation of a complementary pension scheme also taking into account the climate of severe budgetary constraints under which their governments were operating. The Washington Proposal had only recently been implemented and might be capable of improvements, but Governments were very reluctant or unable to envisage action outside the limits of the common system. They were willing to consider any proposal regarding the improvement of the system as a whole, applicable to all members of the United Nations family of organizations.

14. The representatives of the staff had expressed deep regret with regard to the position adopted by the representatives of the CONTRACTING PARTIES. They suggested that the CONTRACTING PARTIES might nevertheless wish to recognize the difficult situation of some GATT pensioners by allocating a further amount of SwF 20,000 in 1981 for the alleviation of hardship in these cases. Increased contributions from the staff might also be matched by the CONTRACTING PARTIES.

15. At the invitation of the Committee, the Chairman of the Staff Council addressed the members, reiterating the staff's disappointment that the Informal Contact Group had not been able to approve the establishment of a complementary pension scheme for the GATT staff. In the staff's view the pension situation was inequitable, fortuitous and discriminatory and some form of complementary scheme was essential.

16. The Committee took note of the Report of the Informal Contact Group and agreed that the possibility of a further meeting of the Group, in due course, should be kept open. Such a meeting could be called to discuss the situation in the light of developments in other international organizations in Geneva or in the light of changes in the pensions system or a deterioration in the perceived benefits it gave to staff.

17. One member, recalling the earlier stated position of his authorities on the disposal of the surplus funds, said that while he could give sympathetic consideration to an increase in the Staff Assistance Fund in proposals for the 1982 budget, he could not agree to the proposed transfer from the Special Temporary Account at this time. He, therefore, reserved his position.
18. The Committee agreed to recommend to the Council /subject to the reservations of two members/ that an amount of SwF 20,000 be transferred from the Special Temporary Account to the GATT Staff Assistance Fund to be used in accordance with the modalities already established for that Fund. The Committee expressed the view that this payment should not be considered as constituting a precedent and that regular reports would be provided to the Committee with regard to the functioning of the Fund. The possibility of matching contributions from the staff could be looked at again in the light of contributions made and on the basis of a request to the Committee.

19. With regard to the remaining balance of SwF 559,834 on the Special Temporary Account, the Committee recommends to the Council that this amount be transferred through the Surplus Account to the Working Capital Fund.

Working Capital Fund

20. The representatives of the secretariat recalled that the Committee, at its meeting in October 1979, considered ways and means of persuading governments in arrears of contributions to meet their financial obligations. A separate report, expressing the Committee's concern in this regard and summarizing possible courses of action, was submitted to the Council and the Committee had requested the secretariat to make a thorough examination of the level of the Working Capital Fund in the light of the cash flow problems which resulted from a high level of outstanding contributions. The secretariat's report on the Working Capital Fund, contained in document L/5009 and embodying the Director-General's proposals in this connexion, was examined by the Committee at its session in October 1980. The Committee had recognized at that time the need for an increase in the level of the Fund but had decided to defer until the present meeting consideration of the level to which the Fund should be increased, the period over which the increase should be made and other ways and means of financing such an increase, as well as the possible addition to the rules governing the Fund of rules to cover reimbursement of advances made by contracting parties.

21. The representative of the secretariat stated that the Director-General continued to be convinced that the level of the Working Capital Fund should be established at some 10 per cent of the overall GATT budget. This view had been considerably strengthened recently in the light of the intention of one of the major contributors to GATT budgets to progressively defer the payment of its contributions within the budgetary year over a four-year period. In this connexion he pointed out that contributions assessed on contracting parties are due and payable in full as from 1 January of each year. This might result in serious cash
difficulties for the secretariat and it was therefore essential that the Working Capital Fund be set at an appropriate level. One member of the Committee remarked that delaying settlement of its contributions by one contracting party should not cause additional expenses for the others.

22. The members of the Committee however were of the opinion that a level of 10 per cent was too high. They felt that a level of 5 to 7 per cent of the overall GATT budget would be more appropriate and more in line with the levels of Working Capital Funds that were maintained in other organizations. Further, they could not agree to the assessment on contracting parties of additional contributions to the Fund but were prepared to recommend the transfer of the necessary amounts from the surplus account, including the balance of the special temporary account, for this purpose.

23. The Committee recommends to the Council that the level of the Working Capital Fund be increased to SwF 2,500,000 by making a transfer of SwF 1,061,721 from the surplus account, representing an amount of SwF 501,887 from the surplus and a transfer of SwF 559,834 made from the Special Temporary Account. The Committee further recommends to the Council that interests earned on Working Capital Fund investments be credited to the Fund from 1 January 1982 and that rules be added to the rules governing the Fund to cover this and the reimbursement of advances made by contracting parties (Annex).

Application of the United Nations Staff Rules and Regulations and Financial Regulations and Rules to GATT

24. The Committee took note of the proposals made by the Director-General in document Spec(81)21 in connexion with the modification of the present system with regard to the application to GATT of staff rules and regulations and financial regulations and rules. The Committee was aware that GATT was the only organization within the common system which did not have rules or regulations of its own and that the regulations adopted by the United Nations General Assembly and rules promulgated by the Secretary-General were automatically applied by GATT.

25. The representative of the secretariat said that the Director-General's long-term objective was to establish GATT's own rules and regulations based on those of the other organizations within the common system but adapted to GATT's own particular circumstances. As an interim measure his proposal was that the relevant United Nations rules and regulations as at 1 January 1982 be applied to GATT, subject to the deviations already approved by the CONTRACTING PARTIES, but that any subsequent modifications be introduced through a GATT decision rather than a United Nations' one. This reflected a request from the staff with
which the Director-General fully concurred. The proposal was in no way an abandonment of the common system and, in fact, followed what every other organization within the common system had already done. The present situation of applying United Nations rules and regulations in principle, and deviating from them when circumstances warranted it, had proved to be difficult to apply at times and occasionally GATT had been unaware of decisions taken by the United Nations.

26. The Committee agreed to reconsider the question of staff rules and regulations and financial regulations and rules for GATT at its meeting in October 1981 on the basis of further information to be provided by the secretariat.

Nicaragua contribution

27. The representative of the secretariat drew the attention of the Committee to the recommendations which had been made on numerous occasions by the Committee with regard to the encouragement of governments in arrears of contributions to make instalment payments with a view to the total settlement of their financial obligations to GATT. In this connexion, one government had responded affirmatively to the secretariat's representations in this regard and was now in process of liquidating its arrears.

28. As the Committee had been informed in document Spec(81)12, the Director-General received a communication from the Government of Nicaragua, dated 30 January 1981, containing a proposal for the progressive reduction of its arrears of contributions. The Government of Nicaragua proposed to settle the amount of SwF 319,618.10, which would have accumulated by 31 December 1981 in respect of arrears of contributions, by the payment of ten equal instalments, commencing in 1982. In addition, also as from 1982, Nicaragua would pay its current contributions in full in the years for which they were due.

29. In requesting the acceptance of his Government's proposal, the observer representing Nicaragua asked also that the very special situation of his country and the particular difficulties that it had been going through in recent years be taken into consideration by the Committee.

30. The Committee expressed its appreciation of any contracting party in arrears which took action with a view to their settlement and recommends that the Council accept the proposal of the Government of Nicaragua to settle its arrears of contributions at 31 December 1981 by the payment of ten equal instalments commencing in 1982, noting that, also as from 1982, Nicaragua would pay its current contributions in full in the year for which they are due.
31. The Committee further recommends to the Council that governments be once again urged to pay pending contributions immediately and to pay each year's contribution early in the year in which it falls due.

Zimbabwe contribution

32. The Committee took note of document Spec(81)24 in which the Director-General informed that the Government of the territory formerly known as Southern Rhodesia, which attained independence on 18 April 1980 under the name of Zimbabwe, had informed the secretariat in a communication dated 11 May 1981 that it accepted no responsibility for the arrears of contributions for the years prior to its independence. The Government of Zimbabwe was, however, making arrangements to pay a pro rata contribution for the period from 18 April 1980 through 31 December 1980 as well as its contribution for 1981.

33. In view of this and considering the decisions already taken, or contemplated, by the governing bodies of various organizations within the United Nations family, whereby cancellation of contributions in arrears from Southern Rhodesia had been authorized or proposed, the Director-General considered that the Committee might wish to consider the question of the cancellation of the amounts of US$48,950, due to GATT from Southern Rhodesia in respect of arrears of contributions for the period 1966-1972 and SwF 272,510 due for the period 1973-1980, with a view to making appropriate recommendations to the CONTRACTING PARTIES.

34. While a number of members of the Committee spoke in favour of the Director-General's proposal, others were unable to take a decision at this meeting in view of the very short time available since cognizance had been taken of this question. The Committee decided to revert to the matter at a meeting specially convened for that purpose, as early as possible prior to the summer recess.

Proposed Programme Budget of the International Trade Centre UNCTAD/GATT

35. A representative of the International Trade Centre UNCTAD/GATT presented the Proposed Programme Budget of the Centre for the biennium 1982-1983, contained in document ITC/OED/BUD/9/Rev.1. The total estimate amounts to US$53,662,800 of which US$19,256,700 represents the Regular Budget to be shared equally between the United Nations and GATT, and extrabudgetary projects (US$34,406,100) financed from Trust Funds and from UNDP. He pointed out that it had not been possible to take into account in the 1982-1983 programme budget all the priorities recommended by inter-governmental policy organs in 1980 and 1981. The principal budgetary increases, those in respect of three new General Service category posts required for the Centre's new premises and for increased
rental and maintenance, were offset by economies in respect of temporary assistance, travel and printing. Following comments by members, the representative of the Centre informed the Committee that, by means of the United Nations guidelines for the preparation of these budget estimates, the Centre had been instructed to apply a zero real-growth factor, as well as a rate of inflation of 5 per cent per year and an exchange rate of US$1/SwF 1.71. Without any increase in regular budget resources, the Centre would not be in a position to meet all requirements of its Medium-Term Plan 1981-1983.

36. The members of the Committee welcomed the zero growth in the estimates as compared to 1980-1981, but were generally of the opinion that the exchange rate of US$1/SwF 1.71 was too low. Some felt that the inflation rate of 5 per cent per year was also too low. Concern was expressed about the use of an unrealistic rate of exchange and an inadequate inflation factor. Some members pointed out also that the Committee adopted a stringent approach to GATT budgets and to the control of expenditure and in some cases had denied additional resources although activities were increasing. The members recognized that it was likely that the exchange rate and the inflation rate would be adjusted by the United Nations office at New York in the course of the year. Nevertheless, they asked the Centre to reflect on the comments that had been made in this connexion and on other aspects of the Centre's budget estimates for 1982-1983 to the examination of which the Committee would revert at its meeting in October.

POINTS FOR DECISION:

Paragraph 6
Paragraph 7
Paragraph 10
Paragraph 18
Paragraph 19
Paragraph 23
Paragraph 30
Paragraph 31
RULES GOVERNING THE USE OF THE WORKING CAPITAL FUND

Existing Rules

(i) The Working Capital Fund created by Resolution of 17 November 1956 shall be of such amount as may be voted from time to time by the CONTRACTING PARTIES and shall be constituted by:

(a) advances made by contracting parties. Such sums shall be carried to the credit of the contracting parties which have paid them;

(b) any sums which the CONTRACTING PARTIES may cause to be paid into it from time to time. Such sums shall be carried to the credit of the organization.

(ii) Any government acceding to the General Agreement shall make an advance to the Fund in accordance with the scale of contributions applicable to the budget for the year of its accession. The minimum advance to the Working Capital Fund amounts to 0.5 per cent of the principal of the Fund for countries whose share of the total trade of contracting parties and associated governments is 0.5 per cent or less.

(iii) The Director-General is authorized to advance from the Working Capital Fund:

(a) such sums as may be necessary to finance budgetary appropriations pending receipt of contributions;

(b) in exceptional circumstances and subject to prior authorization of the CONTRACTING PARTIES, such sums as may be necessary to finance commitments relating to extraordinary expenditure.

(iv) Sums advanced under (iii)(a) above shall be reimbursed to the Working Capital Fund as soon as receipts from contributions are available for the purpose. Sums advanced under (iii)(b) above shall be reimbursed to the Working Capital Fund by including an appropriate credit in the budget. Advances made from the Fund during the first six months of the year shall be reimbursed in the first year succeeding that in which the advances were made. Sums advanced during the second six months of the year shall be reimbursed in the second year succeeding that in which the advances were made.
Proposed Additional Rules

(v) The CONTRACTING PARTIES may liberate all or part of the sums constituting the Working Capital Fund, and the sums so liberated in so far as they are derived from moneys placed in the Fund under paragraph (i)(a) shall be returned in Swiss francs to the contracting parties which have contributed to the Fund in proportion to their respective shares in the Fund.

(vi) Subject to a decision of the CONTRACTING PARTIES, countries which for any reason cease to be contracting parties of the GATT shall be entitled to the reimbursement of the total Swiss franc amount of their shares in the Working Capital Fund under paragraph (i)(a).

(vii) Interest accrued on the Working Capital Fund shall be added to the Working Capital Fund and carried to the credit of the Organization under Rule (i)(b) above.