DRAFT REPORT OF THE BUDGET WORKING PARTY

1. In accordance with its terms of reference, the Working Party has considered the Report of the Audit of the 1953 Accounts (L/226/Add.1), the Report by the Executive Secretary on the Financing of the 1954 Budget (L/226) as well as the proposals for the Budget for 1955 (L/227) and submits the following recommendations to the CONTRACTING PARTIES:

I. AUDIT ACCOUNTS FOR 1953

2. The Working Party examined the Accounts for 1953. It noted that substantial savings were made again in that year and that the cash surplus at the end of the year enabled the Executive Secretary to repay in full to ICITO the services rendered prior to 1951 and to increase the Cash Reserve. It noted further that in spite of the economical way in which the secretariat continues to be run, the level of actual expenditure is steadily growing in view of the increased work-load of the secretariat and that the contracting parties should take note of this trend when making arrangements for covering their future contributions to GATT.

3. The Working Party recommends to the CONTRACTING PARTIES:

   (a) to approve the audited accounts for 1953 presented to the CONTRACTING PARTIES by the United Nations Inspection Service;

   (b) to authorize the Executive Secretary to transfer at the end of 1954 the arrears of contributions for the financial year 1953 which may remain outstanding on 31 December 1954 to the special provision for outstanding contributions which already includes arrears for 1948/1949, 1950 and 1951.

II. FINANCIAL REPORT

4. The Working Party examined the financial administration of the secretariat on the basis of the data contained in the Executive Secretary's Report and of estimates of expenditure during the first eight months of 1954. The Working Party noted that the total expenditure for 1954 will probably exceed by about 20 per cent the actual expenditure incurred in 1953 and that it will be necessary to use practically the whole of the provision for "Unforeseen" to finance the additional expenditure of the Review Session.

5. The Working Party noted that a large part of the current contributions were received early in the year, but that a number of contracting parties have not yet remitted their contributions for 1954 and have not indicated when they would be in a position to do so.

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6. The Working Party wishes to draw the attention of the CONTRACTING PARTIES to the fact that the accumulated arrears of contributions amount, at the present time, to about $63,000, a figure which is comparatively high as compared with the budget figures and noted, in particular, that the Government of Uruguay had not yet paid any contributions, including its contribution to the expenses of the Annecy and Torquay Conferences, and that the Government of Cuba has not yet remitted its contributions for 1953 and 1954 and that four other governments (Burma, Chile, Italy and Nicaragua) are in arrears for the current year. The existence of such heavy arrears in contributions obliges the secretariat to keep its Reserve Fund at a level higher than would be the case normally and this imposes an additional burden on governments which remit their contributions regularly. The Working Party considered this question some years ago and decided at that time to reconsider the matter if the situation did not improve. Although since that time the situation has not deteriorated it now appears desirable that the CONTRACTING PARTIES should instruct the Executive Secretary to remind the governments that do not send their contributions in time, of the obligations which they had assumed when they became contracting parties. It should also be indicated to these governments that their failure to remit their contributions on time causes serious inconvenience to other contracting parties.

III. ESTIMATES OF EXPENDITURE FOR 1955

7. The Working Party compared the Estimates of Expenditure for 1955 submitted by the Executive Secretary with the estimates for 1954 and the actual expenditure for 1953. The Working Party noted that the proposed budget appropriations for 1955 involved a substantial increase as compared with 1954, the major part of which, i.e. $55,000 out of $78,050, was of a non-recurrent nature and was due mainly to the Review Session. The Working Party concluded that the assumptions on which the Executive Secretary’s proposals were based were reasonable and decided to recommend to the CONTRACTING PARTIES the adoption of the estimates contained in Annex A.

IV. INCOME BUDGET FOR 1955

8. In view of the fact that the Budget for 1955 includes expenditure of a non-recurrent nature amounting to $55,000, the Working Party considered that it was reasonable to finance part of the Budget by a transfer from the Cash Reserve instead of increasing the contributions. It therefore approved the suggestion made by the Executive Secretary to maintain the contributions at the same level as during the preceding years and to transfer an amount of $63,950 from the Cash Reserve to cover the difference.
9. The Working Party therefore recommends that the Budget for 1955 be financed as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1955 contributions, 114 units at $3,000</td>
<td>342,000</td>
</tr>
<tr>
<td>2. Miscellaneous Income</td>
<td>16,600</td>
</tr>
<tr>
<td>3. Transfer from the Cash Reserve</td>
<td>63,950</td>
</tr>
<tr>
<td></td>
<td><strong>422,550</strong></td>
</tr>
</tbody>
</table>

The figure for 'Miscellaneous Income' includes the contribution from Japan to the expenses of the CONTRACTING PARTIES. If Japan were to accede to the General Agreement in the course of 1955 the Executive Secretary would transfer the amount received from Japan to the Contributions account.

10. As regards the scale of assessment, the question was raised whether the scale adopted in 1949 was still adequate to meet the requirements of the contracting parties. It was pointed out that this scale had been adopted on a provisional basis and that the position of the various countries had changed substantially since 1949 so that the present scale involved certain inequities. The Working Party did not feel entitled to suggest any changes in the present scale of assessment and therefore the scale contained in Annex C is based on the same assumptions as in preceding years. It noted, however, that if the administration of the Agreement were to be put on a more permanent basis one of the questions to be considered would be the revision of the present scale of assessment.

11. The Working Party recommends that the contributions for 1955 should be remitted as early as possible and, in any case, not later than 30 April 1955.

V. DISPOSAL OF 1954 SURPLUS

12. The Working Party recognized that, in view of the exceptional factors which were described in the Report of the Executive Secretary, it was desirable to leave in the hands of the Executive Secretary a substantial cash reserve during 1955, a reserve which would play, in effect, the part of a working capital fund which exists in other international organizations. For that reason the Working Party supports the suggestion made by the Executive Secretary to transfer to the Cash Reserve any balance remaining after the transfer of $63,950 to the Income Budget 1955 as recommended in paragraph 9 above. It also agrees that any payments which may be received in 1955 on account of arrears of contributions or other receivables outstanding on 31 December 1954 should also be transferred to the Reserve set up on 27 November 1950.
13. On the basis of tentative estimates made by the secretariat the Cash Reserve thus in the hands of the Executive Secretary at the end of 1954 would amount to about $170,000, as indicated in the table below. To that figure should be added the arrears of 1954 contributions which are estimated to amount to $30,000 at the end of 1954.

<table>
<thead>
<tr>
<th>Estimated Cash Reserve</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid Assets at 31 December 1954</td>
<td>221,750</td>
</tr>
<tr>
<td>Estimated Cash Surplus 1954</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>233,750</td>
</tr>
<tr>
<td>Less Transfer from Reserve</td>
<td>63,950</td>
</tr>
<tr>
<td>Cash Reserve at end of 1954</td>
<td>169,800</td>
</tr>
</tbody>
</table>

14. The Working Party considers that the recommendations regarding the disposal of the 1954 surplus is based on the exceptional circumstances of the financial year 1955 and that the question of the level of the Cash Reserve should be considered again at the Tenth Session of the CONTRACTING PARTIES.

VI. OTHER QUESTIONS

15. In accordance with the Decision taken by the CONTRACTING PARTIES at their Eighth Session the Executive Secretary shall make the necessary arrangements with the Secretary-General of the United Nations for the auditing of the 1954 accounts by the United Nations Inspection Service and for the submission to the CONTRACTING PARTIES of the audit report.

16. The Working Party was informed that the United Nations Joint Staff Pension Board had submitted to the General Assembly of the United Nations an amendment to the regulations of the Joint Staff Pension Fund which would enable the staff members of ICITO to join the United Nations Joint Staff Pension Fund. The Working Party noted that the possible transfer of the GATT secretariat from ICITO to a new organization might involve certain legal and practical difficulties in connexion with the membership of the United Nations Joint Staff Pension Fund. It recommends that the Executive Secretary be instructed to discuss these questions with the competent authorities in the United Nations with a view to solving these problems.

17. The CONTRACTING PARTIES will note that the Budget for 1955 provides for the removal of the GATT secretariat from Villa "le Chêne" to Villa "le Bocage". The reasons for that move, as well as the terms for renting Villa "le Bocage", are set out on page 13 of document L/227. Further information has been given verbally to the Working Party by the Deputy Executive Secretary. The Working Party wishes to draw the attention of the CONTRACTING PARTIES to the fact that it was necessary for the Executive Secretary, in order to retain Villa "le Bocage"
to enter into long-term commitments vis-à-vis the United Nations. The Working Party recognizes that it was not possible to avoid such commitments and that the Executive Secretary has taken all the necessary precautions to avoid additional expenditure or liabilities for the governments should the GATT cease to exist or be moved to another place than Geneva. It noted however that the new headquarters would only suffice for a moderate increase in the staff of the secretariat and that if the GATT secretariat or any successor organization were obliged to expand substantially, it would be necessary to supplement the accommodation at the "Bocage" by building an annex. This possibility has also been contemplated in the arrangements made with the United Nations. The Working Party considers that the arrangements entered into by the Executive Secretary are reasonable but feels it its duty to point out to the CONTRACTING PARTIES that in accepting the Budget for 1955 they were approving the arrangements made by the Executive Secretary in connexion with the "Bocage" and the commitments involved in such arrangements.

18. In his Note on the Budget Estimates for 1955, the Executive Secretary pointed out some financial problems which might arise if the functions of servicing the GATT secretariat were transferred to a new organization in the course of 1955. The Working Party recognized that such a possibility would involve a number of administrative and financial problems which would have to be considered in due time. It felt, however, that its present terms of reference did not entitle it to examine these problems at this time and therefore the present report does not contain any suggestion or recommendation on this matter.

VI. CONCLUSION

The Working Party submits to the CONTRACTING PARTIES for consideration and approval a draft resolution on the expenditure of the CONTRACTING PARTIES in 1954 and ways and means to meet such expenditure.
DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES IN 1955 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED the estimates of expenditure of the CONTRACTING PARTIES during 1955, as set forth in the Schedules annexed to this Resolution,

RESOLVE that:

1. The Executive Secretary is authorized to repay promptly ICITO for services rendered during the year 1955, provided that such repayment does not exceed a total of US $422,550.00.

2. The repayment referred to in paragraph 1 shall be financed as follows:
   
   (a) by contributions from contracting parties for an amount of US $342,000.00;
   
   (b) by miscellaneous income estimated at US $16,600.00;
   
   (c) by the transfer of an amount of US $63,950.00 from the Reserve set up on 27 November 1950.

3. Any cash balance as at 31 December 1954 not otherwise assigned in accordance with this Resolution or former resolutions of the CONTRACTING PARTIES, as well as payments of outstanding contributions and other receivables which may be received in 1955, shall be left at the disposal of the Executive Secretary for use as approved by the CONTRACTING PARTIES, provided that such approval shall not be necessary to finance approved expenditure in 1955 pending receipt of contributions.

4. The Executive Secretary shall report to the CONTRACTING PARTIES at the Tenth Session on the status of budgetary expenditure including all commitments entered into to meet unforeseen and extraordinary expenses.

5. The contributions of the contracting parties in 1955 shall be assessed in accordance with the scale of contributions set forth in Annex C to this Resolution. Contributions from present contracting parties are considered as due and payable in full as from 1 January 1955. In the case of an acceding government the contribution is considered as due and payable in full as from 1 January 1955 or the date on which this government becomes a contracting party, whichever is the later.