1. In accordance with its Terms of Reference, the Working Party considered the Executive Secretary's Report on the 1959 accounts and the Report of the External Auditor Thereon (document L/1267), the report by the Executive Secretary on the Financial Position as at 30 September 1960 (document L/1314) and the Budget Estimates for the Financial Year 1961 (document L/1262 and Add.1 and Add.2). The Working Party also considered the proposals made by the Executive Secretary concerning the provision of additional accommodation for the secretariat (L/1286). Finally, the Working Party considered certain other matters put to it by delegations and the Executive Secretary.

I. AUDITED ACCOUNTS FOR 1959

2. The Working Party noted that the actual expenditure had exceeded the original appropriations by US$34,094.56 which amount was covered by supplementary appropriations authorized by the CONTRACTING PARTIES. The Working Party further noted that it had proved possible to meet the greater part of the supplementary appropriations by transfer from the 1958 Surplus Account, excess miscellaneous income and additional contributions. The balance, i.e. US$8,375.02, was met by an advance from the Working Capital Fund.

3. The Working Party recommends that the CONTRACTING PARTIES approve the audited accounts for 1959 and convey to the auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of the GATT accounts.

II. REPORT ON THE FINANCIAL POSITION AS AT 30 SEPTEMBER 1960

4. The Working Party examined the financial administration of the secretariat on the basis of expenditure during the first nine months of 1960 and other data.
contained in the Executive Secretary's report. The Working Party noted that again during the current year the temporary assistance credits have proved insufficient by far, and that these allotments would be considerably exceeded. The Working Party further noted that excess expenditure will also occur on Part II, Section 1(i) - Established Posts and Part IV - Tariff Conference and that the £2,000 excess forecast for the latter in L/1314 has since been increased to £7,000. The final position with regard to the appropriation of savings, transfer of credits between sections of the Budget and advances from the Working Capital Fund can only be reported after the closure of the financial year. Meanwhile the Working Party recommends that the allotments under Part II - Section 1(ii) - Temporary Assistance and Part IV - Tariff Conference be increased by US$18,000 and US$7,000 respectively.

5. The Executive Secretary informed the Working Party that since 30 September 1960 all arrears of contributions of present contracting parties had been received, with the exception of the 1959 contribution from Cuba and a small balance from Haiti. The Government of Cuba had indicated that authority for a transfer had been requested from its National Bank. As regards the contributions for 1960, the Working Party noted that, since the beginning of the session, the contributions from Indonesia, Nicaragua, Peru and Spain had been remitted to the secretariat and that Uruguay had paid part of its 1960 contribution. No indication has so far been received from Chile and Haiti.

6. The Working Party noted that contributions in the amounts of $2,674 and $2,625 had been assessed on Spain and Portugal on a pro rata basis for the year 1960 and that advances to the Working Capital Fund in the amounts of £1,395 and £1,369 had been assessed on the same countries, representing their proportion of the total
advances to the Working Capital Fund at the rates determined by the CONTRACTING PARTIES. The Working Party recommends that the CONTRACTING PARTIES approve these assessments.

III. ESTIMATES OF EXPENDITURE FOR 1961

7. The Working Party examined the budget estimates for 1961 on the basis of the note by the Executive Secretary (L/1262) and the further detailed information provided by the Executive Secretary in documents L/1262, Add.1 and Add.2.

8. The Working Party first examined the Manning Table proposed by the Executive Secretary for 1961 and agreed that the reinforcements proposed were needed and essential if the secretariat were to cope successfully with the programme of work requested by the CONTRACTING PARTIES in 1961. The Working Party thereupon examined the various suggestions for reductions in individual budget items made by the Executive Secretary in response to the desire expressed by the Group which examined the budget proposals on a preliminary basis before the seventeenth session at the request of the Council. These suggestions are contained in document L/1262, Add.2.

9. The Working Party wishes to draw the particular attention of the CONTRACTING PARTIES to the fact that the Executive Secretary has agreed to retard recruitment for new posts on an average of three months and to defer the question of the appointment of a second Assistant Executive Secretary for a full year.

10. The Working Party recommends that the CONTRACTING PARTIES accept these suggestions and also the other suggestions for reductions, including a further reduction of US$1,000 under Part II, section 2(vii) Travel on Home Leave; it also recommends that the item under Part II, section 5, Hospitality, be fixed at US$1,500.
11. The Working Party further recommends to the CONTRACTING PARTIES that the revised estimates for 1961 amounting to $1,038,013 be approved.

IV. INCOME BUDGET ESTIMATES FOR 1961

12. The Working Party examined the proposals by the Executive Secretary concerning the income budget (L/1262, Annex D). It noted that the income budget included provision for reimbursement of withdrawals from the Working Capital Fund made during 1959 in the amount of US$8,375.02, as authorized by Decision of the CONTRACTING PARTIES. The Working Party briefly examined the possibility of postponing this reimbursement to the Working Capital Fund until 1962 in view of the financial difficulties experienced by some contracting parties in meeting their 1961 contributions. However, the Working Party reached the conclusion that it would not be in keeping with sound budgetary practice to defer such reimbursement solely for reasons of financial expediency.

13. The Working Party recommends to the CONTRACTING PARTIES that the budget for 1961 as revised be financed as follows:

<table>
<thead>
<tr>
<th>Income Budget 1961</th>
<th>US Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributions assessed on CONTRACTING PARTIES</td>
<td>1,033,388.00</td>
</tr>
<tr>
<td>2. Miscellaneous income</td>
<td>13,000.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,046,388.02</strong></td>
</tr>
</tbody>
</table>

This amount would cover

Estimated expenditure for 1961                           | 1,038,013.00 |

Reimbursement of the Working Capital Fund
 of the amount authorized by Decision of the
CONTRACTING PARTIES dated 20 November 1959           | 4,000.00    |

Reimbursement of the Working Capital Fund
 of the amount authorized by Decision of the
CONTRACTING PARTIES dated 3 June 1960                | 4,375.02    |

**Total**                                              | **1,046,388.02** |
V. SCALE OF CONTRIBUTIONS

14. The Working Party recommends to the CONTRACTING PARTIES that they approve the scale of contributions for 1961 based on the foreign trade figures of the last three available years (1957, 1958 and 1959) as reproduced in Annex to the draft Resolution.

VI. REPATRIATION GRANT FUND (L/1262/Add.2)

15. The Working Party examined a suggestion made by the Executive Secretary that the Repatriation Grant Fund be liquidated as such and merged with the Working Capital Fund. The Working Party noted that since CONTRACTING PARTIES had first decided to establish the Repatriation Grant Fund in 1953, the circumstances which had led to its creation, i.e. limited Reserves and the relative insecurity of the secretariat, had changed for the better.

Firstly, a Working Capital Fund had been established which, at present, stands at US$202,689. Secondly, the position of the secretariat had become more secure.

16. Whilst recognizing the wisdom of the original Decision, the Working Party agreed that in present circumstances it would seem that the interest of the staff could be adequately safeguarded by making provision for the repatriation grant payments each year in the annual budget rather than funding the Organization's total obligations in respect of all staff members eligible for payment of repatriation grants on separation, provided certain precautionary measures were taken to ensure the availability of the necessary monies in case of emergency. At the same time the Working Party felt that in order to maintain a reasonable balance between the total amount of the Budget and the size of the Working Capital Fund, it would be desirable for
the CONTRACTING PARTIES to increase the Working Capital Fund to an amount representing approximately 25 per cent of the total 1961 Budget. This objective would be achieved by merging the two Funds.

17. The Working Party therefore recommends:

(a) that the Repatriation Grant Fund, which at the end of 1959 stood at US$51,104, be merged with the Working Capital Fund;

(b) that the Working Capital Fund shall henceforward be constituted by
   (i) advances made by contracting parties in accordance with paragraph 4 of the Resolution of 17 November 1956 as modified on 22 November 1958;
   (ii) any sums which contracting parties may cause to be paid into it from time to time.

The sums paid by contracting parties under (i) above for the purpose of constituting or augmenting the Working Capital Fund shall be carried to the credit of the contracting parties which have paid such sums. The sums mentioned under (ii) above shall be carried to the credit of the Organization;

(c) that the liabilities resulting from repatriation grant entitlements of staff members expected to be separated in a given year shall henceforward be covered by yearly budgetary appropriations;

(d) that the Resolution of 17 November 1956 governing the use of the Working Capital Fund be amended so as to authorize the Executive Secretary to have recourse to the Working Capital Fund if through unforeseen events the liabilities mentioned under (c) above would exceed the yearly appropriations and could not be met by savings in other items.
18. The Working Party noted that with the expanding staff and small turnover, the Organization's total liabilities in regard to repatriation grant entitlements could reach sizeable proportions and that consequently it would be necessary to keep the matter under review in order to ensure the availability at any time of a Working Capital Fund sufficiently large to cover the various contingencies for which it had been established.

VII. AUDIT OF THE 1960 ACCOUNTS

19. The Working Party noted that the Executive Secretary intends to make the necessary arrangements with the External Auditor for the final auditing of the 1960 accounts and for an interim audit of the 1961 accounts and for submission to the CONTRACTING PARTIES of the audited report, in accordance with the Decision taken by the CONTRACTING PARTIES in 1951.

VIII. ACCOMMODATION

20. The Working Party examined the proposal presented by the Executive Secretary in document L/1286 concerning the erection of a temporary office building in the grounds of Villa le Bocage. The Working Party agree that, in the circumstances as they exist at present, the construction of such a building would be the most acceptable solution to the problem in securing rapidly the necessary accommodation for the increased secretariat whilst at the same time providing a modest margin for the future. Moreover, the retention of the Villa le Bocage would enable the CONTRACTING PARTIES to derive further benefits from the capital investments made by them in 1958 in constructing the new wing and again in 1960 in constructing additional offices in the basement.
21. As regards the financing of this project the Working Party was informed that the Executive Secretary, as authorized by the Council, had approached the Swiss Federal Government with a view to securing an interest-free loan in the amount of 1,000,000 Swiss francs and that the Executive Secretary had good hopes that the arrangements for such a loan could be successfully concluded before long.

22. Assuming this to be the case the Working Party expressed the hope that it might prove possible to obtain the agreement of the Swiss Federal Government to a reimbursement of the loan by instalments spread over ten years, the first to be payable in 1962.

23. The Working Party recommends that the Executive Secretary be authorized to enter into firm commitments regarding the construction of a temporary office building once the question of finance has been satisfactorily settled, in accordance with paragraph 21 above.

24. The Working Party further recommends that the agreement of the Swiss Federal Government be sought to a reimbursement of the loan of 1,000,000 Swiss francs in instalments spread over ten years.

25. The Working Party also recommends that, in view of the relative urgency of the matter, the Council be authorized to vary the terms of the authorizations in the previous two paragraphs should any unforeseen difficulties arise.

IX. OTHER MATTERS

26. Some members raised the question of the possible creation of an advisory committee on Budgetary, Financial and Administrative questions or some other special body, possibly reporting to the Council, which should examine the budget estimates prior to the session. Such a body could also look into the question of Financial and Staff Regulations which still remained in abeyance.
The question of making a study of the organization and structure of the secretariat was also raised.

27. The Working Party considered that the CONTRACTING PARTIES might wish to refer these matters to the Council for further study.

28. The question of effecting financial economies through reducing the number of sessions of the CONTRACTING PARTIES and the number and duration of other meetings was also raised. One member pointed out that at the time the CONTRACTING PARTIES decided to establish the Council such a reduction was in fact foreshadowed.

29. The Working Party agreed however that the substance of these questions fell outside its terms of reference and could only be usefully discussed by the CONTRACTING PARTIES in the light of all pertinent factors.

X. CONCLUSIONS

30. The Working Party submits to the CONTRACTING PARTIES for consideration and approval a draft resolution on the expenditure of the CONTRACTING PARTIES and the ways and means to meet such expenditure.

Points for Decision:  Paragraph 3  Paragraph 14
Paragraph 4  Paragraph 17
Paragraph 6  Paragraph 23
Paragraph 10  Paragraph 24
Paragraph 11  Paragraph 25
Paragraph 13  Paragraph 30