Committee on Budget, Finance and Administration

DRIFT
REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 21 May 1969, met at the Villa Le Bocage, Geneva, from 7-10 October 1969.

2. The Committee was chaired by Mr. A. Schnebli of Switzerland and the following fifteen members attended:

Argentina          Japan
Australia          Netherlands
Canada             Nigeria
Ceylon             Poland
France             Sweden
Germany, F.R.       United Kingdom
India              United States
Israel

Hungary, (Portugal) and Turkey were represented by observers.

3. In accordance with its terms of reference the Committee considered the Director-General's Financial Report on the 1968 GATT Accounts and the Report of the External Auditor thereon (document L/3220), and the GATT budget Estimates for the Financial Year 1970 (document L/3222 and Corr.1). In addition to the documents mentioned, the Committee examined the budgetary position of the GATT as at 30 September 1969 on the basis of out-turn figures prepared by the secretariat. The Committee also had before it the Director-General's proposal on insurance against the Organization's liabilities under Appendix D of the Staff Rules (document Spec(69)111) which is attached to this report as annex C/B. The Committee's report on these items is contained in part A of this document.
4. In addition, the Committee considered in detail the 1970 Budget Estimates of the International Trade Centre UNCTAD/GATT. The report of the Advisory Committee on Administrative and Budgetary Questions (annex C/B) on these estimates was made available to the Committee. The Committee also examined the budgetary position of the Centre as at 30 September 1969. The Committee's report on these items is contained in part B. of this document.

5. The Committee was advised that in accordance with the Resolution approved by the CONTRACTING PARTIES on 14 November 1968, the Director-General will submit the report on the status of the budgetary expenditure for the first nine months of 1969 to the CONTRACTING PARTIES as an information paper.

6. At the beginning of the meeting the Committee heard an introductory statement by the Director-General. He referred to the current financial position and pointed out that the financial year was expected to close with a surplus, provided collections of contributions continued at the present level until the end of the year. He also drew the attention of the Committee to his report on countries which were in arrears of payment of contributions for two years or more. Turning to the 1970 GATT budget, the Director-General emphasized that he considered the proposed estimates to be the minimum requirements for the implementation of the work programme. He realized that an increase of 9.97 per cent over 1969 was not negligible, but pointed out that 7.28 per cent of this figure represented provision for higher costs and that, as a consequence of severe pruning and rollback of proposals presented to
him, the secretariat's own contribution to the increase amounted to only about two per cent. The Director-General drew attention to the relatively high temporary assistance credits which, in the interests of flexibility and economy, had been increased to provide for the essential needs of the secretariat in preference to adding to the permanent establishment. In this connexion, the Director-General also referred to the increase in the number of words to be translated and typed. He had arbitrarily reduced the requests for translators and typists on the understanding that efforts must be made to reduce the number of words to be processed. He had given instructions to staff of the secretariat, responsible for preparing reports of Committees and Working Groups, to keep these reports as short and concise as possible. He would be grateful to members of the Committee if they could use their influence to make known in the capitals that "an operation of rollback of words had started in the secretariat". In referring to the International Trade Centre budget estimates, he mentioned that the estimates had been severely pruned by the Secretary-General of UNCTAD and himself and that they believed the estimates to be modest. The ACABQ, on examining these budget estimates, had proposed that expenditure amounting to $80,000 be financed from extrabudgetary resources rather than from the regular budget. The GATT and the UNCTAD would be prepared to see whether the work programme for 1970 could be carried out on the basis that overheads from voluntary contributions and UNDP projects would replace the cut of $80,000 but reserved the possibility to revert to the question should this not be the case.
I. REPORT ON THE 1968 ACCOUNTS AND REPORT OF THE EXTERNAL AUDITOR THEREON

7. The Committee examined the report on the 1968 accounts and report of the external auditor thereon. The Committee was informed that some contributions shown as outstanding in the report had meanwhile been received. As regards the contributions receivable from those contracting parties which are in arrears for two years and more, the Director-General had presented a separate report to the Committee. It was recognized that the number of countries in this category was relatively small but they created a problem of financial management, especially taking into account the small size of the budget. The Committee noted with satisfaction the information received from the Governments of Haiti, Peru and Upper Volta, and, in particular, the assurance of the Government of Upper Volta that an amount of US$ 3,810 would be paid before the end of 1969. No recent communication had been received from the Governments of the Dominican Republic or Rhodesia as regards their contributions in arrears. The Committee requested the Director-General to pursue his efforts to obtain payment of outstanding contributions and it expressed the hope that countries in arrears would liquidate their arrears as soon as possible.

8. The Committee recommends that the Contracting Parties approve the audited accounts for 1968 and convey to the auditor their thanks for the valuable assistance given to the Contracting Parties in the audit of the GATT accounts.
II. **FINANCING OF THE 1969 BUDGET OF THE GATT**

9. The Committee examined the budgetary position as at 30 September 1969 on the basis of out-turn figures prepared by the secretariat. It noted that at the close of the current financial year it was expected that the expenditure allotments would have been used in their entirety. It was however anticipated that some US$ 60,000 would be received in excess of the income budget estimates due to the very favourable interest rates obtained at present on short-term deposits.

III. **ESTIMATES OF EXPENDITURE FOR 1970**

**General Comments**

10. Before proceeding to an item-by-item examination of the estimates, several delegates expressed their appreciation for the improved presentation of the budget document which they found clear, and for the more detailed justifications given. A number of delegates indicated that, whilst they were in favour of restraining expenditure, they recognized that the budget was a modest one and provided no difficulties for acceptance by them.

11. On the other hand, some members felt that an over-all increase in expenditure of 9.97 per cent over 1969 was too high and that a level of nearer to 7 per cent would have been more acceptable. They expressed the view that in a year when unavoidable increases amounted to more than 7 per cent an additional effort had to be made to keep any increase in activity down to a bare minimum.
Meetings

12. Several delegates expressed doubts as to the wisdom of providing for two Sessions of the CONTRACTING PARTIES in 1970 and felt that the credit of $17,000 for the 26th Session should remain unchanged but that the 27th Session, if it should take place in 1970, could be financed from the provision for Unforeseen Expenditure. The representative of the Director-General accepted the deletion of the credit of $17,000 for the 27th Session on the understanding that, should the CONTRACTING PARTIES decide to hold a second session in 1970, there would be no financial hindrance and that if additional funds should be needed these could be made available. This understanding was acceptable to the Committee.

13. One member of the Committee recalled that at the 25th Session of the CONTRACTING PARTIES a request had been made on behalf of a number of Spanish-speaking delegations for additional assistance to these delegations through further use of Spanish in interpretation. He requested that in addition to the Plenary Sessions of the CONTRACTING PARTIES there should also be interpretation into Spanish at least at meetings of the Council. It was pointed out that the cost of meeting this request would be in the vicinity of $2,000 and would have to be met from the temporary assistance credits.

New posts

14. The Committee reviewed the Director-General's proposals for the creation of four new posts and additional justification was provided by the representatives of the Director-General. It was felt by one delegate that the four new posts proposed for 1970 were not justified in view of the major increase in the temporary assistance allotments.
Regradings

15. Additional information and clarifications regarding the proposed regradings for 1970 were provided by representatives of the Director-General. Whilst it was noted that the budget presentation had been expanded this year to give more information on particular items, it was felt that it might have been possible to accept more quickly certain regrading requests if more information had been provided. One member of the Committee noted that his delegation was anxious to ensure that there was comparability between grading patterns in GATT and in the other international organizations and hoped that the secretariat would be able to give the Committee more information on this aspect next year.

Temporary assistance and consultants

16. Reference was made by representatives of the secretariat to Appendix IV of the budget document and verbal explanations were given regarding the method of calculating temporary assistance requirements. During the discussion of the provision for this item one delegate pointed out that, due to national budgetary restrictions, his Government could not afford this year a major increase in this item as well as the addition of four new posts to the permanent establishment. It was pointed out by the Director-General's representatives that the temporary assistance item was in a sense the secretariat's safety valve. Posts were only consolidated into the permanent establishment when it was absolutely certain that there was a permanent need for them. Contingencies, which continue to arise in one form or another, had therefore to be met on an ad hoc basis by temporary assistance. This was in fact the most economical approach. Requests for temporary assistance were carefully scrutinized by the senior officers concerned and the credit was only used when there was complete justification to do so.
Travel

17. Some delegates could see no justification for the provision of an amount of $3,000 to cover travel costs of groups of journalists to the secretariat with a view to improving GATT's public relations image. A representative of the Director-General explained that press descriptions of the work of the CONTRACTING PARTIES are not always presented in a favourable manner and that many key editors were not well enough informed regarding GATT's activities. The members of the Committee who sought the deletion of this amount indicated that their attitude was in no way to be interpreted as a desire to limit the discretion of the Director-General in carrying out his public information policy. On this basis the Director-General's representative agreed to the deletion of this credit in 1970. Further consideration would be given to the insertion and placing of this item in the budget estimates in future years.

Common services

18. The attention of the Committee was drawn to document Spec(69)111 (Annex C/B) and the provision under the item for insurance premium for insurance against the Organization's liabilities under Appendix D of the Staff Rules. The Committee was informed that the proposed coverage was equivalent to that of other organizations. The Committee fully supported the recommendation contained in the document and recommends to the CONTRACTING PARTIES that the Director-General's recommendation be accepted.
19. While agreeing in principle to the proposed GATT participation in the World Fair to be held at Osaka in 1970, several Committee members considered that the provision of $5,000 in the 1970 budget should be deleted, that any expenditure should be met from the provision that had been made in 1969. The representative of the Director-General indicated that the Director-General was prepared to accept the deletion of the amount of $5,000 as it seemed that the cost of GATT's participation would be limited almost entirely to the printing of a pamphlet which could be covered under the credit for printing.

Printing

20. In discussing this item, the Committee had before it a working paper prepared by the secretariat in response to a request made at its 1968 meeting, showing sale and free distribution of publications, as well as printing costs, reproduction method and stocks.

Contribution to the International Trade Centre UNCTAD/GATT

21. Considerable discussion of GATT's provision of additional supporting services to the International Trade Centre without charge to the ITC budget took place in connexion with the examination of the ITC budget estimates for 1970. A report of this discussion will be found in paragraph 11 of the Committee's report on the ITC budget estimates.
IV. INCOME BUDGET ESTIMATES FOR 1970

22. The Committee recommends to the CONTRACTING PARTIES that the budget for 1970 be financed as follows:

(a) contributions assessed on contracting parties $3,475,000
(b) miscellaneous income $108,405
(c) transfer from Surplus Account $91,595

$3,675,000

V. SCALE OF CONTRIBUTIONS

23. The Committee recommends that the CONTRACTING PARTIES approve the scale of contributions for 1970 as reproduced in Annex C/A to this report.

VI. EXTERNAL AUDIT

24. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final audit of the 1969 accounts and for an interim audit of the 1970 accounts and for the submission to the CONTRACTING PARTIES of the auditor's report for 1969 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

VII. CONCLUSION

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

POINTS FOR DECISION: Paragraph
B. UNCTAD/GATT INTERNATIONAL TRADE CENTRE


1. The Committee examined the budgetary position as at 30 September 1969 on the basis of out-turn figures prepared by the secretariat. It noted that the expected total expenditure by 31 December 1969 amounted to approximately $1,025,000, i.e. $54,000 more than originally authorized. This excess expenditure was partly due to salary scale adjustments for professional and general service staff in 1969 which were not provided for in the budget ($31,200). In addition, it was due to rental of office space which had been secured at a much higher cost than had been anticipated at the time of the preparation of the 1969 budget ($18,000) and other general expenses ($4,800).

2. The representative of the UNCTAD secretariat advised the Committee that supplementary funds had been requested by the Secretary-General of the United Nations through the UNCTAD budget to cover the additional expenditure in 1969.

3. The Committee was also advised that it was expected that income by way of contributions towards overhead costs relating to projects financed from voluntary funds would reach at least $56,000 by 31 December 1969. The Committee recommends to the CONTRACTING PARTIES that these funds be credited to a special account. This income would be utilized by the secretariats for defraying overhead cost relating to projects financed from these voluntary funds.
II. ESTIMATES OF EXPENDITURE FOR 1970

4. The Committee had before it the Budget Estimates for the financial year 1970 of the International Trade Centre UNCTAD/GATT contained in the Report of the Secretary-General of UNCTAD and the Director-General of GATT (document ITC/AG/8 of 23 April 1969) and the Report of the UN Advisory Committee on Administrative and Budgetary questions (ACABQ) thereon, which had been submitted to the Committee by the Director-General's note of 15 September 1969 and is attached to this report as Annex C/E. It also had before it the work programme for 1970 and 1971 (document ITC/AG/5 and Corr.1), the Report on the second session of the joint UNCTAD/GATT Advisory Group (document ITC/AG/7) and a note on Evaluation (document ITC/AG/6 and Add.1).

5. The Committee noted that the ACABQ in considering the budget estimates of the Centre for 1970 had assumed that overheads would accrue to the Centre from projects financed from voluntary country contributions and that UNDP funds would be available to strengthen the base staff needed to provide adequate supervision and assistance for the execution of those projects. According to estimates made available to the ACABQ at that time, it was envisaged that overheads would become available on voluntary country contributions and UNDP funds of the order of $1 million in each case. On this understanding the ACABQ came to the following conclusion in the final paragraph of its report:

"334. In the light of the foregoing observations and bearing in mind, in particular, the need to avoid duplication and the availability to the Centre of considerable extra-budgetary resources by way of contributions to the defraying of administrative expenses, the Advisory Committee is of the opinion that the level of the regular budget of the Centre for 1970 can be reduced to $1,157,000 without detriment to the work of the Centre. If the
Committee on Budget, Finance and Administration of GATT reaches the same conclusion, and on the assumption that the contribution of GATT for 1970 will remain at its present level, the United Nations share under chapter X of Section 20 would amount to $477,400, an increase of $178,000 over the United Nations contribution to the budget of the Centre in 1969."

6. It now appeared, however, that owing to a number of circumstances beyond the control of the Centre the overheads accruing from UNDP financed projects, both Technical Assistance and Special Fund, will be substantially lower than was anticipated at the time the ACABQ considered the budget of the Centre. The Committee noted the explanations of the secretariat to the effect that as regards projects financed from the technical assistance sector of UNDP the technical assistance target to UNCTAD as a participating agency of the UNDP had not yet been determined, and consequently the overheads that may eventually accrue to the Centre in respect of the portion of UNCTAD's technical assistance target relating to the field of export promotion were unknown. In the case of Special Fund projects, the lack of suitable staff in the Centre had delayed finalizing with certain governments the plans for Special Fund projects to be submitted by the countries to the UNDP. Consequently it was unlikely that more than two Special Fund projects would be submitted to the Governing Council of the UNDP at its meeting in mid-1970. These projects, therefore, would become operational only in the second half of 1970. The Committee also noted that the provision of administrative and technical support to an assistance project would in the normal course consume the overheads accruing to the Centre on that project.
7. Some members of the Committee expressed the view that the overheads accruing to the Centre from extra-budgetary assistance projects should be credited to the regular budget and not treated as a separate account. They hoped that the Trade Centre budget for 1971 could be prepared accordingly.

8. In order to see how the resources available to the Centre for projects financed from voluntary country contributions and UNDP funds fit into the financial requirements of the Centre's total work programme and the impact on the base organization of the Centre, the Committee considered it essential that a composite picture of the Centre's Work Programme and its budgetary implications (as proposed in paragraph 332 of the ACABQ report) should be presented showing:

(a) Work financed from the regular assessed budget;
(b) Projects to be financed from voluntary country contributions;
(c) Projects to be financed from UNDP funds;
(d) Administrative and technical support provided to projects under (b) and (c) from overheads on these projects.

9. The Committee recognized that (b), (c) and (d) would continue to be uncertain elements which could not be estimated accurately in advance when the budget of the forthcoming year is prepared. In addition to the initial tentative estimates, it was therefore necessary to have a full post facto report in respect of these items at the end of a year. It was understood that such a report would be available to the GATT and United Nations budgetary organs in 1970 in respect of the Centre's operations in 1969.
10. In arriving at a conclusion regarding the 1970 budget of the Centre, the Committee took note of the introductory statement by the Director-General in the course of which he had mentioned that the Secretary-General of UNCTAD and he had agreed to recommend to the budgetary organs of UNCTAD and GATT that the reduction of ITC's regular budget by the sum of US$80,000 may be accepted subject to the understanding that the Executive Heads of both bodies would review the budgetary position in relation to the development of the 1970 programme at an appropriate time during 1970; should there be a shortfall of funds necessary to implement the work programme of the Centre, the Director-General and the Secretary-General would reserve the possibility to revert to the matter and the Secretary-General of UNCTAD would take action to seek supplementary funds if necessary. The Committee agreed with the recommendation made by the Director-General. In this connexion the Centre noted that the accrued overheads of 1969 would be available in 1970.

11. Members of the Committee pointed out that there was no question of requesting supplementary funds through the GATT budget since the GATT share of the Centre's budget would remain fixed.

12. The discussion brought out that increasing administrative costs to GATT were in part attributable to the growing requirements of the Trade Centre for administrative and other services. It was noted that the GATT contribution for these services was estimated in the region of $195,000 for 1970, representing an increase of $48,000. The question as to whether this was entirely consistent
with the agreement reached between UNCTAD and GATT at the time of the creation of the Joint Centre and particularly with the assumption that the GATT contribution to the Trade Centre should remain fixed pending such time as the UNCTAD contribution becomes equivalent to the contribution of the CONTRACTING PARTIES needs to be examined. The Committee suggested that the CONTRACTING PARTIES to GATT should examine the situation and agreed that these issues should be further examined by the Committee next year.

13. The Committee also addressed itself to two matters referred to in the report of the ACABQ, viz: duplication and stock-taking:

(a) Duplication

The ACABQ had stressed the need for co-ordinating the activities of the Centre with those of other organizations in the United Nations system in order to avoid duplication. The Committee expressed confidence that the Centre would continue to pay adequate attention to this point. The Committee was informed that the Centre's activities were confined to the provision of information on export markets and marketing, assistance in building up export promotion and marketing organizations and services, and help to train the specialized personnel required for these services. In order to avoid the possibility of duplication in the fields in which the Centre is active, the Centre had made arrangements for regular consultations with other bodies who are involved in the broader questions of export development, notably the FAO and UNIDO. The joint UNCTAD/GATT Advisory Group on the Trade Centre was already aware of the measures taken by the Centre in this regard and would continue to keep the matter under review.
(b) **Stock-taking**

The ACABQ had also emphasized in paragraph 333 of its report that in view of the rapid growth of the Centre in recent years a periodic stock-taking of the activities of the Centre was necessary. The Committee noted that the joint UNCTAD/GATT Advisory Group on the Trade Centre had recognized this need. In accordance with the recommendations of the Advisory Group, the Centre had taken action to carry out an evaluation of the utility of the Centre's services to the developing countries at the end of 1968. A further evaluation in greater depth was being made at the present time and the results would be available to the Advisory Group at its January 1970 meeting. Furthermore, a special enquiry into the utility of the Centre's publications was being made by an independent consultant financed by the Swedish International Development Authority and his report too would be placed before the Advisory Group. The main function of the Advisory Group itself was to review the usefulness and efficacy of the Centre's work programme and to recommend necessary changes. A substantial reorientation of the services of the Centre had, in fact, taken place during 1968 and 1969.

The Committee while noting these measures already taken by the Centre, reiterated the importance of evaluation for the further development and direction of the Centre's work programme and drew the attention of the joint Advisory Group to the need for a major stock-taking at this stage.

14. The Committee recommends that the CONTRACTING PARTIES approve the revised estimates of expenditure of the International Trade Centre UNCTAD/GATT for the financial year 1970 in the amount of $1,157,000. An amount of $671,600 is included under Part IV in the Budget Estimates of GATT on the assumption that
$477,400 will be borne by the United Nations and $8,000 will be forthcoming as miscellaneous income. The revised estimates of expenditure are attached as Annexes A/B and B/B.

III. INCOME BUDGET ESTIMATES FOR 1970

15. The Committee recommends to the CONTRACTING PARTIES that the budget of the International Trade Centre UNCTAD/GATT be financed as follows:

   (a) contributions assessed on GATT $671,600
   (b) contributions assessed on United Nations $477,400
   (c) miscellaneous income $8,000

   $1,157,000

POINTS FOR DECISION: Paragraph 14

Paragraph 15