EFFECT OF THE SWISS FRANC REVALUATION ON BUDGETARY REQUIREMENTS FOR 1971 AND 1972

Note by the Director-General

1. In document C/87 of 21 May 1971, the Director-General informed the Council that, since the expenditure and income budgets of the GATT are expressed in US dollars, the revaluation of the Swiss franc in May 1971 had the effect, for GATT transactions in Swiss francs, of increasing the amount of expenditure necessary for the purposes approved in the budget while the amount of contributions receivable remains unchanged. As a result, the funds available to GATT fall short of approved expenditure.

2. Although the market value of the dollar has been for some time substantially below the internal accounting rate of Sw F 4.08 per US dollar agreed to by the Geneva-based organizations with effect from 17 May 1971, this rate has not yet been modified in view of the present unsettled international monetary situation. As a consequence, further exchange losses occur, as long as the market value of the dollar remains below the level of Sw F 4.08.

1971 Budget of the GATT

3. On the basis of the accounting rate of Sw F 4.08 per US dollar, the additional requirements for the financial year 1971 amount to $165,000, including $30,000 representing GATT's share of the exchange loss on the ITC budget for 1971. In addition, it can be expected that further exchange losses may occur by 31 December 1971. Although it is not possible to make a precise estimate, the magnitude could be in the region of $35,000 to $40,000, the exact amount depending on the effective exchange rates.

4. The Director-General proposes that the Committee on Budget, Finance and Administration consider the financing of the expected additional requirements, estimated at $205,000 in 1971, as follows:

<table>
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<th>Description</th>
<th>Amount</th>
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<tr>
<td>(a) utilization of the savings resulting from the postponement</td>
<td>$80,000</td>
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<td>of the professional salary scale increase from 1 January to 1 July 1971</td>
<td></td>
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<tr>
<td>(b) utilization of the appropriation for unforeseen expenditure</td>
<td>$50,000</td>
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<td>(c) earmarking from the 1970 surplus account</td>
<td>$75,000</td>
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| Total                                                                 | $205,000 |

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The Director-General will continue to make savings wherever possible within the 1971 budget in order to keep the actual transfer from the surplus account to an absolute minimum.

5. Revised appropriations will be submitted at the end of the financial year 1971.

1972 Budget of the GATT

6. The effect of the May 1971 revaluation of the Swiss franc on expenditure and income in 1972 was taken into consideration at the time that the 1972 GATT budget estimates were established. However, should the market value of the US dollar remain below the accounting rate of Sw F 4.08, necessitating a modification of this rate, additional funds will be needed for the financial year 1972.

7. The Director-General intends to examine the situation in the light of future developments and will make appropriate recommendations at a later date. In the meantime, he proposes that the balance of the surplus account (amount available after transfer of funds to cover the 1971 requirements mentioned in paragraph 4(c) above) be earmarked for this purpose.

1971 Budget of the ITC UNCTAD/GATT

8. The additional expenditure in 1971 resulting from the May 1971 revaluation of the Swiss franc amounts to $60,000. On the basis of present exchange rates further losses may occur, estimated at $10,000 by the end of the financial year 1971.

9. A proposal with respect to the financing of the amount of $35,000 representing GATT's share of the additional ITC requirements for the financial year 1971 has been made in paragraph 4 above.

10. The Secretary-General of UNCTAD has been informed of the additional budgetary requirements with respect to the 1971 budget of the Centre with a view to securing supplementary funds to cover the UNCTAD share.

1972 Budget of the ITC UNCTAD/GATT

11. The Centre budget for 1972, which was examined by the Committee on Budget, Finance and Administration in May 1971, document L/3527, did not include provision for additional funds required as a result of the May 1971 revaluation of the Swiss franc. It is estimated that the effect on the 1972 Centre budget in this respect amounts to $81,600. Of this amount $40,800, representing GATT's share, is provided under Part III, Section 1 - Contribution to the ITC UNCTAD/GATT, of the 1972 budget estimates of GATT.

12. Further additional funds may be required in 1972 if the market value of the US dollar remains below the rate of Sw F 4.08 and appropriate recommendations would be submitted at a later date.