INTRODUCTION


2. The Committee was chaired by Mr. J.P. Clark of Canada and the following thirteen members attended:

   - Australia
   - Brazil
   - Canada
   - France
   - Germany, F.R.
   - Ghana
   - India
   - Israel
   - Ivory Coast
   - Japan
   - Sweden
   - Switzerland
   - United Kingdom
   - United States
   - Yugoslavia

Czechoslovakia, Italy and the Republic of Korea were represented by observers.

3. In accordance with its terms of reference, the Committee considered the Director-General's Financial Report on the 1973 Accounts of the GATT and the Report of the External Auditor thereon and the Budget Estimates for the Financial Year 1975 of the GATT and the International Trade Centre UNCTAD/GATT. In addition to the documents mentioned, the Committee examined the financial position of the GATT as at 30 September 1974 on the basis of out-turn figures prepared by the secretariat. The Committee also had before it the following working papers:
Outstanding Contributions as at 30 September 1974

Erosion of Salaries and Allowances for Staff in the Professional Category and Above

Personnel Promotion Policy and Practice of GATT

Staff Assistance Fund

GATT Accommodation - Progress Report

Revised Budget Estimates for the International Trade Centre UNCTAD/GATT for the Financial Years 1974 and 1975

Proposed Administrative Arrangements for the International Trade Centre UNCTAD/GATT


4. The Chairman opened the meeting by outlining the basic tasks of the Committee and pointed out that its work should not be restricted to the purely economic aspects of the secretariat's activities, but should be guided by the objective of ensuring that adequate but not excessive funds and resources were available to carry out the programmes entrusted to the secretariat by the CONTRACTING PARTIES, and that available funds were allocated and spent in a responsible and efficient manner.

5. The Committee then heard an introductory statement by the Director-General. He referred to the current financial situation and pointed out that, due to a number of factors, an appreciable surplus could be expected by the end of the financial year 1974. Savings had been made on the items for salaries and other staff costs as a result of GATT's economical use of staff resources. In particular, recruitment of personnel was made only when a real and urgent need was felt, especially with regard to Trade Negotiations posts in respect of which savings had accrued from the retarded rate of recruitment due to the slower development of the negotiations than was anticipated when the timetable for them and the 1974 budget were established. Another major contributing factor was that income accruing from interest on investments had been considerably higher than originally
anticipated, as a result of the very high interest rates offered throughout the year. In addition, as the Committee had already noted at its meeting in July 1974, further savings would be realized in 1975 due to the fact that some staff members had seen their dollar-based take-home pay reduced again as a result of currency fluctuations.

6. With regard to the 1975 budget estimates, the Director-General drew the Committee's attention to the fact that, of the total increase of 9.75 per cent over the 1974 budget, 8.49 per cent represented unavoidable inflationary increases, 0.16 per cent was due to net additional requirements for the multilateral Trade Negotiations and only 1.10 per cent resulted from all other requirements. Taking into account the work programme ahead, including the important tasks within the framework of the Trade Negotiations, the estimates were modest.

7. In answer to questions, the Director-General pointed out that each item of the budget had been calculated very carefully and, in order to make his own contribution to the fight against inflation, he had adjusted items to take account of inflationary trends only where it was absolutely necessary. This had resulted in the relatively low overall rate of 8.49 per cent for unavoidable increases.

8. He had proposed no increase in the total permanent establishment which remained at the 1974 level of 198 posts. However, after very careful scrutiny, he had made proposals for the regrading of two posts in the professional category and five posts in the general service category, and had requested authority to regrade in 1975 two other posts in the professional category if circumstances should so warrant. With regard to the desirability of consolidating some temporary assistance into permanent posts, the Director-General pointed out to the Committee that the creation of new posts was not necessarily advantageous. The nature of GATT's work as a negotiating body required great flexibility in staffing and, consequently, a high ratio of temporary assistance
to permanent posts to give the necessary adaptability in changing circumstances. This policy permitted keeping the secretariat small and efficient. In this respect he said that the Statistical Section was now making full use of the computer facilities offered by the International Computer Centre.

9. In answer to questions regarding the budget for the Trade Negotiations, the Director-General said that very recent information indicated that the negotiations would be able to achieve full intensity at an early date. As actual requirements were still difficult to anticipate, the budget for the negotiations had been established on a "calculated risk" basis, as the negotiations which were delayed in 1974 were likely to have an impact on the 1975 programme.

10. Turning to the question of the erosion of staff salaries and allowances, the Director-General recalled that he had expressed his views on this subject on several occasions and reminded the Committee in particular of the reduction in purchasing power that the pensions received by GATT pensioners had suffered as a result of the combined effects of continuing inflation and of currency movements. With this situation in mind he had for 1975 again proposed a provision of SwF 20,000 to enable the CONTRACTING PARTIES to make a contribution to the GATT Staff Assistance Fund for the purpose of assisting those ex-GATT staff members most seriously affected. Answering questions, the Director-General said that the effect of the present situation on professional staff was unfortunate, especially as measures had been taken to protect the GATT budget from the consequences of currency fluctuations and that one half of the secretariat, namely the general service staff, were already paid in Swiss francs. In his opinion one could perhaps envisage an interim solution to the problem without leaving the common system which might be to set a fixed accounting rate for a period of, say, one year for the computation of salaries and allowances thereby avoiding fluctuation in remuneration due to changing exchange rates.
11. As regards the question of future accommodation for GATT, the Director-General drew the Committee's attention to the progress report prepared by the secretariat. He said that the Committee might wish to examine the possibility of deleting the provision of SwF 2.5 million made in the 1975 budget and to finance 1975 expenditure for the renovation of the present ILO building from the anticipated 1974 surplus.

12. With regard to the International Trade Centre UNCTAD/GATT, the Director-General had submitted revised budget estimates for 1974 and 1975 for the Committee's consideration. As the provision in the 1974 budget representing GATT's 50 per cent share of the Centre budget, had been made in Swiss francs, the necessary funds were available to cover the supplementary contribution fixed in US dollars. The Director-General had also proposed that the Committee consider increasing the provision in the 1975 GATT budget to SwF 5,517,000 in order to cover GATT's share of the Centre's additional 1975 requirements. The Director-General drew the Committee's attention to the proposed administrative arrangements for the Centre which had been prepared by the Administrative Management Service of the United Nations in response to the recommendation made by the Joint Advisory Group on the ITC UNCTAD/GATT at its seventh session in January 1974. The Director-General reported that the contents of this report had been noted by the UNCTAD Trade and Development Board at its recent session in Geneva and hoped that the arrangements would meet the requirements of the parties concerned, at least for the immediate future.
A. GATT SECRETARIAT
I. REPORT ON THE 1973 ACCOUNTS AND REPORT
OF THE EXTERNAL AUDITOR THEREON

13. The Committee examined the Report on the 1973 Accounts and the Report of the External Auditor thereon and was given additional information and explanations by representatives of the secretariat.

14. The Committee recommends that the CONTRACTING PARTIES approve the audited accounts for 1973 and convey to the auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the audit of these accounts.

II. FINANCING OF THE 1974 BUDGET

15. The Committee examined the financial position as at 30 September 1974 on the basis of out-turn figures prepared by the secretariat. It noted that, as a result of the factors outlined by the Director-General in his introductory statement (paragraph 5), the budget was expected to close with a year-end surplus of some two and a half million Swiss francs. The Committee welcomed the Director-General's proposal with regard to the disposal of this surplus which would have the effect of reducing contracting parties' contributions to the 1975 budget. However, one member of the Committee proposed that an amount of SwF.20,000 be set aside to make a contribution to the Staff Assistance Fund, thus enabling the deletion of the proposed provision in the 1975 budget. The Committee therefore agreed to recommend to the CONTRACTING PARTIES that the anticipated 1974 surplus be disposed of as follows:
a) an amount of SwF.20,000 be earmarked for payment in 1975 to the Staff Assistance Fund:

b) an amount of SwF.1,250 be earmarked towards 1975 income;

and

c) the balance of the 1974 surplus account be transferred to the Building Fund.

16. The Committee examined the situation with regard to outstanding contributions at 30 September 1974 and noted with satisfaction that the collection of contributions during the first nine months had been good. However, a small number of contracting parties continued to be in arrears. The importance of prompt payment of contributions was stressed since it was in the interest of all contracting parties to avoid financial management problems particularly during the Trade Negotiations. The Director-General was requested to pursue his efforts to obtain payment of outstanding contributions and the Committee agreed to recommend to the Council that governments be urged to pay contributions as early as possible in the year in which they fall due.

III. ESTIMATES OF EXPENDITURE FOR 1975

17. Before the Committee commenced its item-by-item examination of the 1975 expenditure estimates a representative of the Director-General informed the Committee that the General Assembly of the United Nations, at its present session, would be presented with proposals (a) to make an interim adjustment of 6 per cent to salaries for staff in the professional and higher categories, (b) to consolidate two classes of post adjustment into base salary, and (c) to adjust certain allowances for this category of staff. He pointed out that GATT's normal policy was to budget for salary adjustments only when the General Assembly
had taken a decision in this respect. However, in view of the fact that a decision would not be taken before December 1974 and the significant financial implications arising from these proposals, he suggested that the Committee examine the possibility of adjusting the budget estimates at this stage. He pointed out that the 1975 estimates already included a provision of SwF.105,000 to cover the proposed higher allowances and informed the Committee that the resulting additional cost to the budget in respect of the adjustment of the salary scales with effect from 1 January 1975 was estimated at SwF.1,088,000. The following budgetary items were affected:

<table>
<thead>
<tr>
<th>Swiss francs</th>
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<tbody>
<tr>
<td>PART I: MEETINGS</td>
</tr>
<tr>
<td>Section 2 - Meetings of the Council and other Meetings</td>
</tr>
<tr>
<td>(i) Temporary assistance (including overtime) 10,000</td>
</tr>
<tr>
<td>PART II: SECRETARIAT</td>
</tr>
<tr>
<td>Section 1 - Salaries and Wages and Official Travel</td>
</tr>
<tr>
<td>(i) Established posts 495,000</td>
</tr>
<tr>
<td>(ii) Temporary assistance (including overtime) and consultants 34,000</td>
</tr>
<tr>
<td>Section 2 Common Staff Costs</td>
</tr>
<tr>
<td>(iv) Contribution to the United Nations Joint Staff Pension Fund 180,000</td>
</tr>
<tr>
<td>(ix) Other common staff costs 10,000</td>
</tr>
</tbody>
</table>
PART IV: TRADE NEGOTIATIONS

Section 1 - Trade Negotiations

(i) Temporary assistance
   (including overtime) 146,000

(ii) Common staff costs 40,000

PART V: INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Section 1 - Contribution to the International
Trade Centre UNCTAD/GATT 173,000

1,088,000

18. One member of the Committee suggested that provision for such expenditure should only be made when a final decision had been taken by the General Assembly and the question of its financing could be considered at a future meeting of the Committee. However, in view of the consequent delay in approving the budget and the difficulties that would be created for governments if supplementary estimates became necessary, the Committee agreed to make provision for this expenditure now, on the understanding that, if the General Assembly did not approve all or part of the proposals, savings would accrue in the 1975 budget. Such savings would, as usual, revert to contracting parties.

Meetings

19. Some members of the Committee, taking into account the experience of recent years, felt that an estimate for a two-week meeting in respect of the 31st Session of the CONTRACTING PARTIES was anticipatory and were of the opinion that the estimate for this item should be maintained at the 1974 level. The Committee agreed, therefore, to reduce the estimate for the 31st Session of the CONTRACTING PARTIES by SwF.10,000 to SwF.125,000 on the understanding that only the CONTRACTING PARTIES could decide on the length of their Session and that, should it prove necessary, the reduction made could be easily reinstated.
20. With regard to other meetings, one member of the Committee pointed out that some difficulty might be experienced in carrying out a normal programme of meetings in 1975 if the schedule for meetings for the Trade Negotiations was also heavy.

Regradings

21. The Committee accepted the regradings contained in the expenditure estimates for 1975 as proposed by the Director-General. The Committee's discussions on this subject are reflected in paragraph 32.

Printing

22. During the examination of the item for Printing, the Committee was informed that the provision was based on the expected programme of printing for 1975 and the anticipated number of pages had been taken into consideration. The major reason for the increase over 1974 was the higher number of pages foreseen for 1975 and the expected higher production costs. The Committee was of the opinion that some reduction could be made in the provision and agreed to delete the estimate for one trade study, thus enabling economies of SwF 15,000.

Public Information

23. The Committee was informed that the provision for Public Information was used for a programme designed to make the aims and activities of the GATT more widely known, mainly though regular contacts with representative journalists. The funds were used primarily to pay travel and subsistence costs involved in inviting selected individual journalists to visit GATT for one day for off-the-record briefings, by senior officials, on GATT and its current activities.
For reasons of cost, invitations were confined to European-based journalists, but several had represented newspapers or other periodicals of non-European countries. The selection was not intended to be balanced in itself. A great proportion of the secretariat's contacts with the press was with Geneva-based journalists or with other journalists who visit Geneva on their own initiative. Those invited under the public information programme might be chosen for such reasons as their personal status as particularly influential writers, or the absence of a correspondent of their newspaper in Geneva.

**Contribution to the Staff Assistance Fund**

24. While recognizing the very difficult situation in which GATT pensioners found themselves as a result of the combined effect that continuing inflation and currency movements had had on their pensions, some members of the Committee stressed that the solution to the problem could come only from a reform of the Pension Fund system. In this respect, the Committee was informed by a representative of the secretariat of a proposal that had been made to the General Assembly of the United Nations intended to alleviate the situation somewhat.

25. In view of the exceptional, transient nature of the situation, the Committee agreed to delete the provision of SwF 20,000 in the 1975 budget and to contribute an equal amount from the anticipated 1974 surplus. This agreement was reached on the understanding that the funds be administered following the same general principles as had been applied to the contributions made in 1973 and 1974. Some members of the Committee appealed to the GATT staff to make a contribution, at least equal to that to be provided by the CONTRACTING PARTIES, in order to demonstrate solidarity with GATT pensioners.
Unforeseen expenditure

26. Some members of the Committee were of the opinion that the estimate for unforeseen expenditure was excessive and could be reduced. This was particularly true in view of the fact that, in recent years, recourse had been made to the item for unforeseen expenditure only as a result of currency fluctuations from which the budget was now protected. Further, the level of budgetary savings in recent years precluded the need for recourse to the item. Others felt, however, that in a year when activity would be intense due to the compressed schedule for Trade Negotiations meetings it would be unwise to make any reduction in this item. After considerable discussion it was agreed that a reduction of SwF 30,000 could be made without jeopardizing either regular or Trade Negotiations activities in 1975.

Contribution to the International Trade Centre UNCTAD/GATT

27. The Committee examined the revised estimate of SwF 5,690,000 representing GATT's contribution to the International Trade Centre UNCTAD/GATT in 1975, and its discussions on this subject are reflected in Part B of this report.

Contribution to the Building Fund

28. Following the Director-General's recommendation, the Committee agreed to delete the provision of SwF 2.5 million for a contribution to the building fund in 1975 and to finance 1975 expenditure from the anticipated 1974 surplus. Discussion of this item is reflected in paragraph 33.
IV. INCOME BUDGET ESTIMATES FOR 1975

29. One member of the Committee was of the opinion that the estimate of SwF 552,000 for miscellaneous income in 1975 was too conservative, especially when the expected results for 1974 were taken into consideration. A representative of the Director-General pointed out that 1974 had been a very exceptional year both from the point of view of high interest rates obtained in respect of short-term Swiss franc investments and for the volume of contributions received early in the year. The large surplus that had been accruing during the year and which was invested had also helped to augment interest income.

The Committee agreed that the budget for 1975 be financed as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) contributions assessed on contracting parties</td>
<td>26,335,000</td>
</tr>
<tr>
<td>(b) transfer of part of the anticipated surplus for 1974</td>
<td>1,250,000</td>
</tr>
<tr>
<td>(c) miscellaneous income</td>
<td>682,000</td>
</tr>
<tr>
<td></td>
<td>28,267,000</td>
</tr>
</tbody>
</table>

Swiss francs
V. OTHER MATTERS

Erosion of salaries and allowances for staff in the professional category and above

30. The Committee took note of the Director-General's proposals with regard to the erosion of salaries and allowances for staff in the professional category and above which had the support of the Staff Council. While expressing sympathy for the situation in which some GATT staff members found themselves, the Committee did not feel itself able to advance significantly from the position that it had adopted at its meeting in July, and continued to be of the opinion that abandonment of the common system should be avoided at all costs. It felt, however, that the formation of an informal contact group, composed of members of the Committee, representatives of the staff and representatives of the secretariat could be useful. The group should have available to it the results of the United Nations General Assembly's consideration of the proposals to be examined at its present session in this respect and should be provided with further technical information by the secretariat in order to enable it to make a thorough review of the situation, including the implications of establishing professional salaries and allowances in Swiss francs and of setting a yearly fixed accounting rate for salaries and allowances. The Committee would meet again in the not-too-distant future to consider the group's findings.

31. A representative of the secretariat informed the Committee of GATT practice with regard to the payment of education grants. He pointed out that since GATT's accounts were now kept in Swiss francs, advances paid in respect of education grants were not converted into dollars. Further, in a few cases, where the maximum reimbursement level was applicable, reimbursement was made at an exchange rate which would not be less than the rate prevailing at the beginning of the school year. The Committee also noted that the financial implications of this practice were insignificant.
Staff Assistance Fund

32. The Committee took note of the report of the Chairman of the GATT Staff Council, submitted through the Director-General with disbursements made to GATT pensioners. Discussion of this item is reflected in paragraphs 24-25.

GATT Accommodation - Progress Report

33. The Committee was informed by a representative of the Director-General that the removal of the ILO from its present building to its new premises had been delayed by several months and consequently the tentative dates for the transfer of the GATT secretariat to the present ILO building were also set back. Consequently renovation work would be retarded by several months and, therefore, incidence of approximately half of the requirements for 1975 would be delayed until 1976. One member of the Committee pointed out that additional cost would eventually accrue to GATT from this delay, due to inflation, and suggested that the secretariat should endeavour to obtain its share of any indemnity that might be paid in this respect. Another member of the Committee suggested that the possibility of installing a closed-circuit television system coupled with simultaneous interpretation might be considered before requirements for the meetings rooms were finalized. In view of rising meeting room costs, this could perhaps be an economical way of dealing with overflows at meetings.

Personnel promotion policy and practice of GATT

34. The Committee reviewed the secretariat's working paper on personnel promotion policy and practice of GATT. One member was of the opinion that GATT's policy could, in the long term, lead to an escalation of grades and, consequently, to a changed grading infrastructure, especially since, in his opinion, GATT posts when originally established had been graded at a relatively high level in order to compensate for limited opportunities for
promotion. The Committee examined various suggestions and came to the conclusion that the Director-General should be requested, when making regrading proposals in future budgets, to link the requested grade to the incumbent whenever possible. The posts so regraded would automatically revert to the original level when vacated by the incumbent. When it was not possible to regrade a post in this manner, the system of combined grades should be applied.

External audit

35. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final audit of the 1974 accounts of the GATT, for an interim audit of the 1975 accounts and for the submission to the CONTRACTING PARTIES of the auditor's report for 1974 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

VI. CONCLUSION

36. 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 14
Paragraph 15
Paragraph 16
Paragraph 36