ADMINISTRATIVE AND FINANCIAL QUESTION

Budgetary Consequences of the US Dollar/Swiss Franc Exchange Rate Movement

1. The 1986 revised budget estimates have been set up using an exchange rate of US dollar/Swiss franc 2.30 for GATT itself while an exchange rate of US$ 1/Sw F 2.50 was maintained for the GATT contribution to the International Trade Centre budget.

2. Since the beginning of 1986 the United Nations US$/Sw F internal accounting rates used by all Geneva based Organizations of the Common System have been as follows:

- January 1986 : US$ 1/Sw F 2.09
- February 1986: US$ 1/Sw F 2.01
- March 1986 : US$ 1/Sw F 1.86
- April 1986 : US$ 1/Sw F 1.97

which gives an average of US$ 1/Sw F 1.98.

3. On the GATT budget excluding ITC a reduction (or increase) of one centime in the average accounting rate applied over the whole year would result in savings (or additional expenditure) of Sw F 27,000.

4. The principal budgetary items affected by movements in the US $/Sw F exchange rate and the corresponding savings for the period 1 January - 30 April 1986 are:

<table>
<thead>
<tr>
<th>Item</th>
<th>Savings</th>
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</thead>
<tbody>
<tr>
<td>Section 3 : Salaries and wages</td>
<td>107,000</td>
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<tr>
<td>Section 6 : Common staff costs (iv) : Contribution to United Nations Joint Staff Pension Fund (UNJSPF)</td>
<td>170,000</td>
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<tr>
<td>(vii) : Family allowances, education grants</td>
<td>11,000</td>
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<tr>
<td>(ix) : Other common staff costs (sickness insurance)</td>
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Sw F 288,000
5. The savings realized are mainly due to the effect that the fluctuations of the US$/Sw F exchange rate had in reduced take home pay of staff in the Professional and higher category (section 3 and section 6(vii)). Contributions to the UNJSPF are calculated in US$, therefore any fluctuation of this currency vis-à-vis the Swiss franc has a corresponding direct effect on budgetary expenditure. Finally, the sickness insurances premiums (section 6(ix)), being a percentage of the salaries, follow the same trend.

6. Further to the above mentioned Sw F 288,000 supplementary savings of about Sw F 90,000 related to GATT's contribution to the International Trade Centre UNCTAD/GATT have occurred (section 14). Thus the entire budgetary savings can be evaluated at some Sw F 378,000 for the first quarter of 1986.

7. Should the average exchange rate for 1986 remain close to US$ 1/Sw F 2.00, the budgetary savings would amount for the whole year to Sw F 810,000 on the GATT Budget and Sw F 250,000 on GATT's contribution to ITC thus totalling some Sw F 1,060,000.