

1 November 1955

DRAFT REPORT OF THE BUDGET WORKING PARTY

1. In accordance with its terms of reference, the Working Party considered the Report of the Audit of the 1954 Accounts (L/422/Add.1), the Report by the Executive Secretary on the Financing of the 1955 Budget (L/422) as well as the proposals for the Budget for 1956 (L/423) and submits the following recommendations to the CONTRACTING PARTIES:

I. AUDIT ACCOUNTS FOR 1954

2. The Working Party examined the accounts for 1954 as well as the Report of the Audit and the additional information supplied by the Executive Secretary in L/422. It noted with satisfaction that the arrears on current contributions at the end of the year accounted for a smaller percentage of the assessment than in 1953.

3. The Working Party recommends to the CONTRACTING PARTIES: to approve the audited accounts for 1954.

II. REPORT ON THE FINANCING OF THE 1955 BUDGET

4. The Working Party examined the financial administration of the secretariat on the basis of the data contained in the Executive Secretary's report and of estimates of expenditure during the first nine months of 1955. The Working Party noted that, as a result of non-recurrent requirements but also of a general increase in the workload of the secretariat, the actual expenditure in 1955 is expected to exceed by about 30 per cent the expenditure incurred in 1954 and that, for some budget items, expenditure exceeded, or is expected to exceed, budget appropriation. In order to meet such excess of expenditure, the Executive Secretary reported that he will be obliged to use up the original appropriation for Unforeseen Expenditure and to use part of the additional appropriation voted by the CONTRACTING PARTIES in March 1955. The Working Party is satisfied that the drawing on the provisions for unforeseen expenditure was justified by the circumstances and notes that, thanks to savings on some budget items, total expenditure will remain within the original budget estimates.

5. The Working Party considered, in this connection, that recourse to the provision for unforeseen would have been unnecessary to a large extent, if the powers of transfer enjoyed by the Executive Secretary were extended to enable him to transfer from one budget section to another, but came to the conclusion that it would not be advisable to change the existing rules, at this Session.

6. The Working Party noted that by September 1955, 91.52 per cent of the current contributions assessed were remitted, that the contribution for Cuba has been received since that date and that the contributions from Chile, Italy and Pakistan are expected before the end of the year.

7. Although the position regarding contributions appears satisfactory, on the whole, the Working Party wishes to draw the attention of the CONTRACTING PARTIES to the failure of the Uruguayan Government to meet its financial obligation towards the GATT. Since it became a contracting party, Uruguay has not paid any of its contributions and has also failed to reimburse its share of the expenses of the Annecy and Torquay Tariff Conferences. The Working Party recommends that the CONTRACTING PARTIES instruct the Executive Secretary to send a formal communication on their behalf, to the Uruguayan Government, indicating their concern at the failure of Uruguay to meet its financial obligations and expressing the hope that all arrears would be paid before the CONTRACTING PARTIES meet next year.

8. Finally the Working Party recommends to the CONTRACTING PARTIES to authorize the Executive Secretary to transfer at the end of 1955 the arrears of contributions for the financial year 1954 which may remain outstanding at that date.

### III. ESTIMATES OF EXPENDITURE FOR 1956

9. The Working Party compared the estimates of expenditure for 1956 submitted by the Executive Secretary with the 1955 budget and the actual expenditure for 1954. In the light of additional information given orally by the secretariat, the Working Party noted that the proposed budget appropriations for 1956 involved a figure about 5 per cent higher than the 1955 Budget estimates as originally approved but slightly lower than the estimates as revised in March 1955.

10. As a result of its examination of the estimates for expenditure, the Working Party concluded that the assumptions on which the Executive Secretary's proposals were based were reasonable and decided to recommend to the CONTRACTING PARTIES the adoption without change of the estimates contained in Annex A.

11. The Working Party did not examine Annex D to the Budget proposals as this annex was circulated to the CONTRACTING PARTIES for information. In view, however, of the remark made regarding the advantages of setting up Liaison Officers in Washington, Bangkok and Santiago before the OTC begins its operation, the Working Party wishes to point out that such a decision would involve a minimum additional expenditure of \$ 46,000.

#### IV. INCOME BUDGET FOR 1956

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11. The Working Party agreed with the suggestions made by the Executive Secretary regarding the financing of the 1956 budget. It considered that it would be appropriate to draw a substantial amount from the cash reserve to avoid the need for a substantial **increase** of the contributions for next year. It wishes, however, to point out that it is highly improbable that any such drawing could be contemplated for 1957 and that contracting parties should, when necessary, take appropriate measures to enable them to increase their contribution to the expenses of the GATT.

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12. As regards the United States contribution for 1956, the Working Party took note of a statement by the United States representative to the effect that authority has already been obtained for the payment of a contribution amounting to \$ 60,000 as in previous years but that the payment of any amount in excess of that figure was subject to further government approval.

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13. The Working Party therefore recommends that the Budget for 1956 be financed as follows:

	<u>Dollars</u>
1. 1956 contributions, 118 units at \$3,250 .....	383,500
2. Miscellaneous Income .....	7,300
3. Transfer from the Cash Reserve .....	58,000
	<u>448,800</u>
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#### V. DISPOSAL OF THE 1955 SURPLUS

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14. The Working Party agreed to dispose of the 1955 surplus as in preceding years, as suggested in paragraph 10 of the Executive Secretary's note (L/423) and noted that, in the view of the Executive Secretary there would be serious risks in bringing the level of the Cash Reserve below the figure of \$ 170,000 which that Reserve would reach if the recommendations contained in the Report are approved by the CONTRACTING PARTIES.

#### VI. SCALE OF CONTRIBUTIONS

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15. The Working Party considered suggestions made by the South African and other representatives regarding the desirability of adjusting the scale of contributions in the light of changes in the participation of the various contracting parties in world trade. It examined, in particular, the scale which would result from the adoption of the trade figures which were taken as a basis for the revision of Annex H of the General Agreement. It came to the conclusion that the substitution of the average foreign trade data for the period 1949-1953 for the average between trade in 1938 and trade in 1946, which is the present basis, would remove certain anomalies but introduce more serious unbalance in the apportionment of the expenses among the contracting parties. In order to arrive at a more equitable distribution, it appears necessary to revise, not only the reference panel, but also the main principles on which the scale of contribution is based. As this review could not be achieved at this Session, the Working Party recommends that the scale of contribution for 1956 should remain the same as in previous years<sup>7</sup>.

## VI. OTHER QUESTIONS

17. The Working Party noted that the Executive Secretary intends with the Secretary-General of the United Nations for the auditing of 1955 accounts by the United Nations Internal Audit Service and for submission to the CONTRACTING PARTIES of the audit report, in accordance with the decision taken in 1952 by the CONTRACTING PARTIES.

18. The Working Party discussed the proposed arrangements for a GATT training programme for young officials holding UNTAA scholarships (L). It welcomed the scheme which would enable young officials of contracting parties to GATT to familiarize themselves in the GATT secretariat with important questions dealt with in the framework of the General Agreement on Tariffs and Trade. It noted that the United Nations Technical Administration has accepted to grant a limited number of fellowships to suit qualified candidates nominated by governments. The Working Party felt that although this scheme did not involve direct financial responsibility of the CONTRACTING PARTIES, from an administrative point of view it would be an additional burden on the actual resources of the secretariat and it welcomes the assurance given by the Deputy Executive Secretary that the limited number of fellowships contemplated would not create difficulties for the secretariat. The Working Party recommends that the scheme be put into effect on an experimental basis for 1956 and that the Executive Secretary should be requested to submit a full report before the next Session. It would then be possible for the CONTRACTING PARTIES to consider the practical value of the scheme and to decide whether the benefits it produced would justify the continuation or the expansion of the scheme. As the limit fixed by the United Nations Technical Assistance Administration for the submission of candidatures may make it difficult for governments to do so until the CONTRACTING PARTIES have taken a decision at the Eleventh Session, it is suggested that the Intersessional Committee might be empowered to receive the report by the Executive Secretary. If the Committee is prepared to recommend the continuation of the scheme the Executive Secretary would be authorized to communicate with governments with a view to obtaining nominations, on the understanding that any action would be subject to confirmation by the CONTRACTING PARTIES.

19. The Working Party considered the difficulties to which the admission of the staff of the secretariat to the United Nations Joint Staff Pension Fund has given rise in view of the uncertainty regarding the setting up of the OTC. The main difficulty results from the fact that the staff is entitled to participate in the Fund as officials of the ICITO and that, if the ICITO is disbanded when the OTC is set up, there would be no legal basis for their continued participation until such time as the OTC is brought into relationship with the United Nations as a specialized agency. Unless the General Assembly of the United Nations finds a practical method by which the Pension Board would authorize the ICITO officials to remain members of the Fund during the interim period, the application of the Pension Fund Regulations might involve either liabilities for the staff or a contingent liability for the government parties to the GATT. Although it is difficult to assess the magnitude of that liability, an estimate made by the secretariat indicates that it might amount to about \$ 45 to 50,000.



20. The Working Party agreed that it would not be advisable for the Executive Secretary to conclude an agreement with the Pension Board unless the legitimate rights of the staff members are duly safeguarded. On the other hand, the postponement of a decision in this respect would be unsatisfactory, as in the case of death or disability of a member of the staff, the governments would be required to grant the benefits provided in the Staff Regulations if the death or disability is attributable to conditions of employment. As there is no provision in the budget for such purpose it would be necessary to obtain additional contributions from the governments to cover this liability. If death or disability does not involve employers liabilities there might be a moral responsibility for the governments to make compassionate payments.

21. Taking all the factors into account, the Working Party recommends that the CONTRACTING PARTIES instruct the Executive Secretary to pursue its discussions with the Pension Board and to reach an agreement for an early affiliation of the staff to the United Nations Joint Staff Pension Fund, on the understanding that the CONTRACTING PARTIES would give the necessary instructions to their delegates to the United Nations Assembly to find a practical solution to the difficulties outlined in paragraph 17 above and that, if necessary, the Executive Secretary would be authorized to bring up the mathematical reserve to the level adequate to cover the acquired rights of the staff members transferred to the OTC. Accordingly, the Working Party submits to the CONTRACTING PARTIES the following Resolution:

CONSIDERING the desirability of providing for the staff of the secretariat benefits corresponding to the contributions paid by them and by the governments since 1948,

the CONTRACTING PARTIES

NOTE with satisfaction the resolution adopted by the United Nations Assembly on 4 December 1954 which enables the staff of the secretariat to join the United Nations Joint Staff Pension Fund;

RECOMMEND that the Executive Secretary resume his discussions with the United Nations Pension Board with a view to an early admission of the staff of the secretariat to the United Nations Joint Staff Pension Fund;

INVITE the Executive Secretary to discuss with the Pension Fund the questions which would arise if, by virtue of the setting up of the OTC, the staff would cease to be entitled to remain members of the United Nations Staff Pension Fund;

and AGREE that, if in such a case, the amounts transferred by the United Nations Joint Staff Pension Fund to the secretariat is less than the mathematical reserve necessary to cover the rights acquired by the staff transferred to the OTC, the Executive Secretary would be authorized to bring that reserve to the required level by transferring to it any available balance of the ISBF and, if necessary, amounts drawn from the Cash Reserve.

VII. CONCLUSION

22. The Working Party submits to the CONTRACTING PARTIES for consideration and approval a draft resolution on the expenditure of the CONTRACTING PARTIES in 1956 and ways and means to meet such expenditure.

Points for decision: Paragraph 3  
Paragraph 8  
Paragraph 14  
Paragraph 16  
Paragraph 18  
Paragraph 21

DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES  
IN 1956 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED the estimates of expenditure of the CONTRACTING PARTIES during 1956, as set forth in the Schedules annexed to this Resolution,

RESOLVE that:

1. The Executive Secretary is authorized to repay promptly ICITO for services rendered during the year 1956, provided that such repayment does not exceed a total of US \$ 448,800.00.
2. The repayment referred to in paragraph 1 shall be financed as follows:
  - (a) by contributions from contracting parties for an amount of US \$ 383,500.00;
  - (b) by miscellaneous income estimated at US \$ 7,300.00;
  - (c) by the transfer of an amount of US \$ 58,000.00 from the Reserve set up on 27 November 1950.
3. Any cash balance as at 31 December 1955 not otherwise assigned in accordance with this Resolution or former resolutions of the CONTRACTING PARTIES, as well as payments of outstanding contributions and other receivables which may be received in 1956, shall be left at the disposal of the Executive Secretary for use as approved by the CONTRACTING PARTIES, provided that such approval shall not be necessary to finance approved expenditure in 1956 pending receipt of contributions.
4. The Executive Secretary shall report to the CONTRACTING PARTIES at the Eleventh Session on the status of budgetary expenditure including all commitments entered into to meet unforeseen and extraordinary expenses.
5. The contributions of the contracting parties in 1956 shall be assessed in accordance with the scale of contributions set forth in Annex C to this Resolution. Contributions from present contracting parties are considered as due and payable in full as from 1 January 1956. In the case of an acceding government the contribution is considered as due and payable in full as from 1 January 1956 or the date on which this government becomes a contracting party, whichever is the later.