

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)45

5 May 1982

ADMINISTRATIVE AND FINANCIAL QUESTIONS

GATT Contributions to the International Trade Centre UNCTAD/GATT

Note by the Director-General

1. At its meeting in October 1981, the Committee on Budget, Finance and Administration requested the secretariat to concert with the Secretariats of the International Trade Centre UNCTAD/GATT and of the United Nations to study ways and means of resolving the problem of exchange and inflation rates to be applied to budgets of the Centre and to report on its findings (L/5196, paragraph 53). The Director-General's report on discussions with the Centre and the UN was distributed in document Spec(81)56.
2. The Committee noted at its October meeting that, on the basis of the revision of the Centre's budget rate by the United Nations to SwF 2.07 to US\$1, an additional amount, estimated at SwF 406,000 would become payable in respect of the contribution from GATT's 1981 budget to the Centre unless the US dollar/Swiss franc exchange rate were to fall considerably during the rest of 1981 and the Centre's estimates were not increased in US dollar terms (L/5196, paragraph 55).
3. As will be seen from the Director-General's report on the Final Position of the 1981 Budget of the GATT (document L/5298), the final additional amount payable in respect of GATT's share of the Centre's budget in 1981 amounted to only SwF 116,345. This was mainly due to the fact that the market exchange rates applicable to GATT's payments to the Centre during the last part of 1981 were lower than the revised budgetary rate and to the deletion by the United Nations of a provision for an adjustment to the remuneration of staff in the General Service category.
4. With regard to the budget estimates of the Centre for the biennium 1982-1983, the Committee further noted in October that these estimates had been based on an exchange rate of US\$1/SwF 1.71 and an inflation rate of 5 per cent for each year of the biennium (L/5196, paragraph 59). However, at the 36th Session of the United Nations General Assembly, the rate of exchange applicable to the Centre's 1982-1983 budget was revised to US\$1/SwF 1.76, thus modifying GATT's 50 per cent contribution to the Centre for 1982 from US\$ 4,611,600 (SwF 7,886,000 at US\$1/SwF 1.71) to US\$ 4,510,300 (SwF 7,938,000 at US\$1/SwF 1.76). This represents an increase of SwF 52,000 in the contribution to be made to the Centre from GATT's 1982 budget.
5. Since 1 January 1982, GATT has been making monthly payments of contributions to the Centre at market exchange rates averaging US\$1/SwF 1.90. In theory, if the market rate were to continue at the present level (US\$1/SwF 1.975 at 27 April 1982) throughout the rest of the year, and the Centre's estimates were not further revised in US dollar

terms, the provision in GATT's 1982 budget for the contribution to the Centre would be overspent by some SwF 911,000. However, it can be expected that, following past practice, the United Nations will take action to modify the rate of exchange applicable to the Centre's 1982 budget in order to adjust it more closely to official internal accounting rates approved month-by-month throughout the year. The choice of rate will be made unilaterally by the United Nations and the actual level of reduction of overspending of GATT's budgetary provision for 1982 will depend upon the rate chosen.

6. After extensive discussions and exchange of correspondence between GATT and the ITC and the United Nations, it is clear that the United Nations intends to continue to modify unilaterally the exchange and inflation rates applicable to ITC budgets, as well as those of the other UN bodies, as and when it considers such action opportune. GATT has been urged to continue to accept the existing practice and consider solutions for currency fluctuations along the lines of the last two subsections of paragraph 16 in document Spec(81)56.

7. The two subsections mentioned above offer GATT the following options:

- "to accept the continuation of the present practice whereby revised budget estimates requiring the provision of additional funds are presented by the Centre after the original budget has been approved and for which financing is provided from the GATT budget or from the GATT Working Capital Fund; or
- to accept the United Nations practice, but making a unilateral additional provision in the GATT budget to cover possible additional requirements resulting from inflation."

8. If the principle of an additional provision in the GATT budget is accepted it follows that it would have to be made in such a way as to cover any possible additional requirements based on GATT's projection of adverse currency fluctuation and inflation.

9. The evaluation of such additional requirements, or economies as the case may be, would continue to be up-dated upon submission by the ITC of its performance reports, which follow the UN instructions on overall budgeting in US dollars. The Director-General will continue to urge the UN to undertake such evaluation on a regular and timely basis, adjusting the Centre's budget as closely as possible to real exchange and inflation rates.

10. As the greater part of Centre expenditure is made in Swiss francs and the Centre's accounts are kept in US dollars, the choice of a budgetary exchange rate for Centre budgets, and the adjustment of the exchange rate on presentation of periodic performance reports or of the final accounts will continue to have a major influence on GATT's Swiss franc budgetary requirements for contributions to the Centre. In this connexion it is interesting to note that in 1981 the average official internal accounting rate, which is used for keeping the Centre's accounts, equalled the average market rate.