

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(84)50
19 September 1984

ADMINISTRATIVE AND FINANCIAL QUESTIONS

Outstanding Contributions

Note by the Director-General

Introduction

The expenditure of the GATT secretariat is financed mainly by contributions due from the contracting parties and associated governments. Contributions in fact represent an average of 97 per cent of the budget, the remainder being covered by various resources, some of which derive from interest on bank deposits made with sums which the secretariat has available but does not require to use immediately. The importance of regular payment of contributions when due is thus obvious, especially as, unlike other organizations, the GATT has available for an emergency only the cash in its Working Capital Fund, which amounted to Sw F 2,872,820 at 31 July 1984, and is not sufficient even to cover expenditure for one month.

Background

The importance of payment of contributions for the sound financial management of the secretariat has always held the attention of the CONTRACTING PARTIES, which have often made urgent appeals to member countries to fulfil their financial obligations. Ever since its first scale of contributions was brought into effect the GATT secretariat has been confronted with the problem of arrears. The amount of these arrears is covered by a provision established for the purpose. This provision, adjusted at the end of each financial year since 1957 (L/756), is financed, when necessary, by any balance of budgetary receipts in excess of actual expenditure and by advances from the Working Capital Fund, which are reimbursable in full as and when outstanding contributions are paid.

Although the CONTRACTING PARTIES have decided that contributions are due in full on 1 January, as recalled in the letters sent by the Director-General to each of the contracting parties and each of the associated governments when the scale of contributions was approved, payments are made irregularly and in part throughout the year, as shown by the following table:

Percentage of Contributions Unpaid During the Year

<u>Year</u>	<u>at 31 March</u>	<u>at 30 June</u>	<u>at 30 September</u>	<u>at 31 December</u>
1980	50.22	26.10	16.88	4.06
1981	47.74	18.71	16.30	6.58
1982	68.02	35.18	24.57	5.53
1983	72.64	37.18	26.99	6.38
1984	66.68	36.09	-	-

Contributions unpaid at the end of the year being added to those unpaid in previous years, the accumulated arrears tend to increase, since some countries continually fall behind in their payments. The following table shows the accumulated arrears for the last four years:

<u>Year</u>	<u>Total outstanding contributions at the end of the year</u> (in Swiss francs)
1980	4,500,167
1981	6,008,921
1982	6,442,106
1983	7,971,931

The present situation and its consequences

The Director-General regularly sends reminders to countries which are late in paying their contributions and takes every opportunity of discussing this matter direct with those responsible in the countries concerned; he also endeavours to negotiate payments agreements like those concluded with Nicaragua (Spec(81)12 and L/5380, paragraphs 21 and 22) and Chad (Spec(83)37), designed gradually to pay off the arrears at the same time as the contributions for the current year. Nevertheless, the situation has not improved in recent years. Thus, at 31 August 1984, the financial resources available to the secretariat, including the Working Capital Fund, were not sufficient to cover total expenditure for the month of September.

The delay in payments, which is causing concern, has the following adverse consequences:

(a) The danger of not being able to meet imperative payment orders on time for lack of sufficient available funds (e.g. staff salaries, contributions to the pension fund, rent, contributions to the International Trade Centre UNCTAD/GATT) and the consequences which would follow from having to pay interest on a bank credit.

(b) A reduction in the interest received on bank deposits, with a resultant reduction in miscellaneous income which would finally be reflected in a corresponding increase in the amount of future contributions.

(c) The need to make a provision for outstanding contributions. This provision, which amounted to Sw F 7,971,931 at 31 December 1983, was made up of Sw F 6,745,873 of surpluses carried forward and an advance of Sw F 1,226,058 from the Working Capital Fund. Theoretically, if all the outstanding contributions were paid, the sums advanced by the Working Capital Fund would be repaid and the remainder available (Sw F 6,745,873 at 31 December last) would be placed at the disposal of the CONTRACTING PARTIES, which would benefit by a corresponding reduction in their

contributions for the following year. On the other hand, prolongation of the present situation is not only a charge on contracting parties that pay their contributions regularly, but may cause serious difficulties if no surplus of budgetary receipts can be drawn on and if cash available in the Working Capital Fund is insufficient.

Comparison with other organizations

Compared with other international organizations within the common system, the position of GATT at 30 June in the last five years for which results are known, was as follows:

Organization	Percentage of contributions paid at 30 June				
	1979	1980	1981	1982	1983
GATT	80.42	73.90	81.29	64.82	62.82
United Nations	38.36	54.15	42.14	29.40	41.97
ILO	68.29	60.16	38.06	41.21	36.73
FAO	46.64	61.23	40.08	32.69	48.08
UNESCO	29.78	57.47	37.40	31.45	36.96
WHO	43.32	51.32	45.40	41.12	46.05
ICAO	49.26	62.77	49.48	51.77	54.23
WMO	51.93	61.93	62.07	56.62	59.08
IMO	58.08	64.03	49.78	53.54	61.94
WIPO	68.51	55.60	66.75	58.74	57.59
IAEA	36.82	52.16	45.52	42.20	42.97
UPU	44.06	1/	93.72	93.10	90.27
ITU	86.23	92.77	94.40	91.33	91.23

^{1/} UPU contributions for 1980 are payable by instalments over the period 1986/1990.

The above table shows that only two organizations, the ITU and the UPU, - the latter for the last three years - have had over 90 per cent of the contributions due to them paid up before 30 June. ITU since its inception, and UPU since 1981, have charged interest on arrears for contributions not paid by the beginning of the year.

Proposals

The question of outstanding contributions has already been frequently discussed in the Committee on Budget, Finance and Administration, particularly in October 1979, when the various possible ways of persuading governments in arrears to fulfil their financial obligations were examined (the details of these discussions appear in Annex III, document L/4853). In view of the continuing deterioration of the situation and of the results obtained by the ITU and UPU, the Committee on Budget, Finance and

Administration might reconsider the possibility of applying a system of interest on arrears. This system should include transitional measures permitting countries in arrears to regularize their situation within periods to be determined and should take into account the case of countries which pay instalments on their outstanding contributions in accordance with a fixed schedule.

The position regarding outstanding contributions at 31 August 1984 is shown in Annex II.

Annex IOUTSTANDING CONTRIBUTIONS AS AT 31 AUGUST 1984

1. Outstanding contributions amounted to US\$ 22,312 (Sw F 54,887 at the accounting rate of Sw F 2,46/US\$1 effective as at 31 August 1984) in respect of assessments for the years 1969/1972, to Sw F 6,131,754 for the years 1973 to 1983 and to Sw F 16,656,298 in respect of current year's assessments. Thus a total of Sw F 22,842,939 was due on 31 August 1984 compared with amounts of Sw F 18,286,390 on 31 August 1983, Sw F 17,493,980 on 31 August 1982 and Sw F 10,791,249 on 31 August 1981.

2. The amount of Sw F 16,656,298 still due on 31 August 1984 in respect of 1984 contributions represented 32.81 per cent of the total assessment. The corresponding figures were Sw F 13,321,131 (27.41 per cent) in 1983, Sw F 13,182,536 (29.71 per cent) in 1982 and Sw F 6,875,927 (17.02 per cent) in 1981.

3. As can be seen, the situation of collection of contributions in 1984 has not substantially changed in comparison with the previous year's in spite of the fact that the Director-General has taken every opportunity, either in writing or by personal contacts, to remind governments of the importance of prompt payment of their contributions and of total settlement of arrears.

4. The present situation with regard to governments whose contributions are two or more years in arrears is as follows:

Burkina Faso: The latest payment of Sw F 23,791 was made in November 1978. Reminder letters have been sent regularly by the secretariat;

Burundi: The latest payment of Sw F 38,882 was received in April 1978. In a letter of April 1983, the Government of Burundi announced its intention to settle the total arrears of contributions in 1984, but no payment has been received to date;

Central African Republic: In a letter of September 1983, the Government of the Central African Republic announced its intention to settle the arrears for the period 1976/1979 in four instalments from 1984 to 1987 and informed that the requests for contributions concerning 1980/1983 were transmitted for action to competent bodies. A payment of Sw F 33,991 was received in August 1984;

Chad: In a letter dated 29 April 1983 the Government of Chad proposed to settle its arrears of contributions by the payment of twenty equal instalments commencing in 1987, in addition to the payment of current contributions in full in the years for which they are due. This proposal was accepted by the CONTRACTING PARTIES at their Thirty-ninth session;

Congo, People's Republic of the: Regular payments are made by the Government of the People's Republic of the Congo. During the first eight months of 1984 a sum of Sw F 18,662 was received by the secretariat;

Dominican Republic: Although the Dominican authorities assured the secretariat in October 1980, and reiterated their statement in March 1983, that every effort would be made to reduce the outstanding arrears, no payment has been received since November 1979, despite several reminder letters which have been sent;

Gambia: Since the latest payment of Sw F 21,227 in March 1977, the secretariat has received no communication, notwithstanding several reminder letters which have been sent;

Ghana: The latest payment of Sw F 62,205 was received in June 1983. In a letter dated June 1984 the Permanent Mission in Geneva requested information regarding outstanding contributions;

Haiti: The Government of Haiti has undertaken to make regular payments until the entire balance of arrears of contributions has been liquidated. Since April 1978 the secretariat has received twenty-two payments. A payment equivalent to Sw F 10,649 was made during the first eight months of 1984;

Democratic Kampuchea: Since the latest payment, which was made in January 1974, the secretariat has received only one letter of acknowledgement in July 1980, in spite of numerous reminder letters which have been sent;

Madagascar: The latest payment of Sw F 78,057 was received in November 1982. In reply to an oral request of January 1984, the secretariat provided detailed information regarding the amount outstanding;

Mauritania: Since the latest payment of Sw F 5,917 in October 1978 no further communication has been received, despite several reminder letters which have been sent;

Nicaragua: In January 1981, the Nicaraguan Government proposed the settlement of its arrears at 31 December 1981 by means of ten equal annual payments commencing in 1982. The GATT Council accepted this proposal on 11 June 1981. In June 1982, the Nicaraguan authorities, referring to the financial difficulties they were experiencing, proposed that the commencement date for the repayment schedule be delayed for one year, to 1983. The GATT Council accepted this proposal on 1 November 1982. A first instalment equivalent to Sw F 98,859 was made in February 1984. The sum still due for 1984, in accordance with the arrangement, amounts to Sw F 94,788;

Niger: Since the latest payment of Sw F 45,091 made in February 1983, no communication has been received by the secretariat;

Peru: A sum of Sw F 145,800 representing the contributions for 1979 and 1980 was received in January 1984;

Senegal: Two payments for a total of Sw F 101,288 were received in 1983. No communication has been received since that date;

Sierra Leone: The latest payment of Sw F 27,800 was received in February 1975. The authorities of Sierra Leone, with whom the question of arrears of contributions has been taken up on numerous occasions, have indicated that action to liquidate the amount due would be taken. The secretariat has continued to send regular reminder letters and, in reply to a cable of June 1983, again provided detailed information regarding the amounts outstanding. Since that date no further communication has been received;

Tanzania: The latest payment of Sw F 48,480 was made in 1982. No other communication has been received;

Togo: The latest payment equivalent to Sw F 18,691 was made in August 1984;

Uganda: No communication has been received by the secretariat since the latest payment of Sw F 79,130 in November 1977, notwithstanding numerous reminder letters which have been sent;

Zaire: The latest payment of Sw F 45,400 was made in January 1981. The secretariat was informed, in April 1983, that the necessary steps of internal procedure for settlement of contributions were being taken. However, no further communication has been received by the secretariat;

Zambia: The first payment, amounting to Sw F 39,225, since Zambia became a contracting party, was received in May 1984.

Annex II/Annexe II/Anexo II
STATEMENT OF OUTSTANDING CONTRIBUTIONS AS AT 31 AUGUST 1984/ETAT DES ARRIERES DE CONTRIBUTIONS AU 31 AOUT 1984
CONTRIBUCIONES PENDIENTES AL 31 DE AGOSTO DE 1984

Country/Pays/País	US dollars/Dollars des Etats-Unis/Dólares EEUU		Swiss francs/Francs suisses/Francos suizos					Total 1973/1984
	1969/1972		1973/1980	1981	1982	1983	1984	
Argentina/Argentine							263,640	263,640
Bangladesh							60,840	60,840
Belgium/Belgique/Bélgica							808,590	808,590
Belize/Belice						58,250	60,840	119,090
Benin/Bénin						51,738	60,840	112,578
Brazil/Brésil/Brasil							679,380	679,380
Burkina Faso			113,809	48,480	53,170	58,250	60,840	334,549
Burundi			163,295	48,480	53,170	58,250	60,840	384,035
Cameroon/Cameroun/Camerún							60,360	60,360
Central African Republic/République centrafricaine/República Centrafricana			157,231	48,480	53,170	58,250	60,840	377,971
Chad/Tchad	1969/1972	15,815	305,500	48,480	53,170	58,250	60,840	526,240
Colombia/Colombie							103,468	103,468
Congo, People's Republic/ Congo, République populaire/ Congo, República Popular			73,126	48,480	53,170	58,250	60,840	293,866
Cuba						77,720	157,170	234,890
Cyprus/Chypre/Chipre							60,840	60,840
Dominican Republic/République Dominicaine/ República Dominicana	1971/1972	6,497	305,500	48,480	53,170	58,250	60,840	526,240
Gabon/Gabón							31,013	31,013
Gambia/Gambie			159,073	48,480	53,170	58,250	60,840	379,813
Ghana				27,507	53,170	58,250	60,840	199,767
Greece/Grèce/Grecia						22,296	218,010	240,306
Guyana/Guyane						58,250	60,840	119,090
Haiti/Haïti/Haití			111,576	48,480	53,170	58,250	60,840	332,316
Israel/Israël							228,150	228,150
Italy/Italie/Italia							174,144	174,144
Ivory Coast/Côte d'Ivoire/Costa de Marfil						26,844	81,120	107,964
Kampuchea, Democratic/Kampuchea démocratique/Kampuchea Democrática			292,106	48,480	53,170	58,250	60,840	512,846
Kenya							58,250	58,250
Madagascar					33,713	58,250	60,840	152,803
Maldives/Maldivas							60,840	60,840
Malta/Malte							60,840	60,840
Mauritania/Mauritanie			205,519	48,480	53,170	58,250	60,840	426,259
Netherlands, Kingdom of/Pays Bas, Reyaume des/Países Bajos, Reino de los							2,215,590	2,215,590

Country/Páys/País	US dollars/Dollars des Etats-Unis/Dólares EEUU 1969/1972	Swiss francs/Francis suisses/Francos suizos					
		1973/1980	1981	1982	1983	1984	Total 1973/1984
Nicaragua		230,529	48,480	53,170	1/	60,840	393,019
Niger/Niger				11,788	58,250	60,840	130,878
Nigeria/Nigéria						578,920	578,920
Peru/Pérou/Perú			76,760	66,470	92,220	101,400	336,850
Philippines/Filipinas					49,897	212,940	262,837
Poland/Pologne/Polonia						456,300	456,300
Rwanda						60,840	60,840
Senegal/Sénégal		12,728	48,480	53,170	58,250	60,840	233,468
Sierra Leone/Sierra Leona		252,200	48,480	53,170	58,250	60,840	472,940
Spain/Espagne/España						811,200	811,200
Tanzania/Tanzanie/Tanzania		5,959	48,480	53,170	58,250	60,840	226,699
Togo				21,970	58,250	60,840	141,060
Uganda/Ouganda		141,470	48,480	53,170	58,250	60,840	362,210
United States of America/Etats-Unis d'Amérique/ Estados Unidos de América						7,397,130	7,397,130
Uruguay					58,250	60,840	119,090
Yugoslavia/Yougoslavie						194,323	194,323
Zaire/Zaire			48,280	53,170	58,250	60,840	220,540
Zambia/Zambie				24,090	58,250	60,840	143,180
TOTAL	22,312	2,529,621	879,747	1,061,921	1,660,465	16,656,298	22,788,052

US\$22,312 at Sw F 2.46 to US\$1.- equivalent to / 22.312 dollars EU à 2,46 FS par dollar EU, équivalent à /
22.312 dólares EE.UU a 2,46 FS por dolar, que equivalen a

54,887
22,842,939

1/ In conformity with the payment proposal approved by the CONTRACTING PARTIES in November 1982/
En conformité avec la proposition de paiement approuvée par les PARTIES CONTRACTANTES en novembre 1982/
En conformidad con la propuesta de pagar aprobada por las PARTES CONTRATANTES en noviembre de 1982

Annex III *

REPORT OF THE COMMITTEE ON BUDGET,
FINANCE AND ADMINISTRATION

Arrears of Contributions

1. At its meeting from 9 to 19 October 1979 the Committee on Budget, Finance and Administration again examined in detail the question of arrears of contributions to the budgets of the CONTRACTING PARTIES which was giving rise to a great deal of concern both to the secretariat and the Committee. The Committee had before it a statement of the situation at 30 September 1979 (Annex).

2. The Committee noted that the development of the arrears situation over the last five years was as follows:

	<u>Total outstanding contributions</u> SwF	<u>Percentage</u> ^{1/}
31 December 1975	2,279,197	8.06
31 December 1976	3,428,332	10.03
31 December 1977	3,333,375	9.18
31 December 1978	4,640,843	12.03

At 30 September 1979, a total amount of SwF 8,808,686 was outstanding in respect of arrears of contributions, representing 22.73 per cent of the overall 1979 expenditure budget. A considerable proportion of these arrears would have to be received before 31 December 1979, to avoid serious cash difficulties.

3. There had been a steady deterioration over the past five years both in apparent and real terms and the members of the Committee were in agreement that all possibilities should be considered with a view to adopting measures to ensure the regular and timely payment of contributions by contracting parties as a matter of urgency.

^{1/}Percentage of total of outstanding contributions to relevant year's overall expenditure budget.

4. The Committee had considered possible courses of action in previous years without reaching definitive conclusions although it had regularly recommended to the Council that governments be urged to pay pending contributions and to pay each year's contribution as early as possible in the year in which it falls due. In 1979, following a proposal by the Committee, a statement of arrears was examined by the Council in the hope that governments would be encouraged to pay their contributions in due time but the effect of this step had not yet been perceptible.

5. The Committee was aware that other international organizations were in a similar or worse situation. It reviewed measures that had been considered or adopted by these organizations as well as those that had been discussed in CCAQ as early as 1950.

Publicity

6. The publicizing of lists of member governments in arrears of contributions had been envisaged through press releases or by the issue of periodical lists to all member governments.

Loss of voting rights

7. Most organizations had statutory provisions for withholding the right to vote from member countries whose contributions were in arrears for a certain period (e.g. two years).

Charging interest

8. The Committee noted that, in one organization, contributions were payable by 1 January of the year to which they related and interest was payable from that date at an annual rate of 3 per cent for the first six months thereafter and at 6 per cent as from the seventh month.

Suspension of activities and services

9. The suspension of activities and of services provided to member countries in arrears of contributions included the non-acceptance of participants from such countries for training courses, the suspension of the supply of documentation, etc.

Instalment payments

10. A measure which had had a limited success in GATT was the encouragement of contracting parties to arrange with the secretariat to pay off arrears of contributions in regular instalment payments. One

country in particular had undertaken to make regular payments until the entire balance of arrears had been liquidated. Eleven payments, totalling US\$75,000, had been received since April 1978 and the arrears had thus been considerably reduced. No response had been received from other countries in this connexion.

Personal contacts/correspondance

11. The Director-General has continued to take every opportunity, either in writing or by personal contacts, to remind governments of the importance of prompt payment of their contributions and of total settlement of arrears.

Conclusions

12. The Committee was aware that each of the measures described above had advantages and disadvantages, some of which might give rise to questions of principle. It felt therefore unable to make any specific recommendation at this stage but requests guidance from governments as to possible measures to be taken with a view to ensuring the regular and timely payment of contributions by contracting parties and the liquidation of arrears. In the light of such comments the Committee would then be in a position to make proposals to the Council in order that a decision may be taken in this regard in 1980. In view of the gravity of the situation which is worsening from year to year, the Committee agreed to recommend to the Council that governments be urged to pay pending contributions as soon as possible and to pay each year's contribution as early as possible in the year in which it falls due.

STATEMENT OF OUTSTANDING CONTRIBUTIONS AS AT 30 SEPTEMBER 1979

Country	US dollars		Swiss francs							Total 1973/1979
	1966/1972	1973	1974	1975	1976	1977	1978	1979		
Bangladesh								45,400	45,400	
Benin							44,772	45,400	90,172	
Burundi						25,695	45,400	45,400	116,495	
Cameroon								45,173	45,173	
Central African Republic				23,143	40,300	42,700	45,400	45,400	196,943	
Chad ^{1/}	1969/1972	15,815	25,500	27,800	31,600	40,300	42,700	45,400	258,700	
Chile ^{1/}								61,560	61,560	
Colombia					6,043	71,200	75,600	68,000	220,843	
Congo, People's Republic of the			13,958	31,600	40,300	42,700	45,400	45,400	219,358	
Dominican Republic	1966/1972	33,101	25,500	27,800	31,600	40,300	42,700	45,400	258,700	
Egypt ^{2/}								124,700	124,700	
Gabon								42,836	42,836	
Gambia						21,473	45,400	45,400	112,273	
Ghana								45,400	45,400	
Guyana						4,836	45,400	45,400	95,636	
Haiti				18,006	40,300	42,700	45,400	45,400	191,806	
Ivory Coast							11,473	52,900	64,373	
Kampuchea Democratic			12,106	27,800	31,600	40,300	42,700	45,400	245,306	
Kenya								26,109	26,109	
Madagascar								2,295	2,295	
Mauritania						25,219	42,700	45,400	158,719	
Nicaragua			18,938	31,600	40,300	42,700	45,400	45,400	224,338	
Nigeria							160,684	362,800	871,184	
Peru								75,600	75,600	
Philippines								91,366	91,366	
Rhodesia	1966/1972	48,950	25,500	27,800	31,600	40,300	42,700	45,400	258,700	
Rwanda								22,700	22,700	
Senegal							21,816	45,400	67,216	
Sierra Leone				31,600	40,300	42,700	45,400	45,400	205,400	
Spain								574,500	574,500	
Sri Lanka								16,648	16,648	
Tanzania							9,039	45,400	54,439	
Togo							11,716	45,400	102,516	
Tunisia								6,900	6,900	
Turkey							74,445	151,200	376,745	
Uganda							3,870	45,400	94,670	
United States ^{2/}								2,725,200	2,725,200	
Upper Volta							21,609	45,400	67,009	
Uruguay ^{2/}								45,400	45,400	
Yugoslavia ^{2/}								142,900	142,900	
Total		97,866	88,606	144,096	262,349	393,962	800,919	1,379,309	5,576,987	8,646,228

1966 to 1972: US\$97,866 at SwF 1.66 to US\$1.-

162,458

8,808,686

=====

^{1/} Partial payment received since 30 September 1979.^{2/} Payment received since 30 September 1979.