

Committee on Budget, Finance and Administration

REPORT OF THE MEETING HELD ON 19 MARCH AND 22 APRIL 1999

1. The WTO Committee on Budget, Finance and Administration met on 19 March and 22 April 1999 under the successive chairmanship of Mr. Lavorel from the WTO in the absence of Mr. W. Meier of Switzerland, Chairman of the Committee, and of Ms. Dubois-Destrizais of France. The terms of reference and composition of the Committee are set out in document WT/L/44/Rev.1. The agenda contained in document WTO/AIR/1041/Rev.1 was adopted with additional points from the Delegation of Nicaragua and Cuba under Other Business, regarding respectively a communication that the Director-General had received from the Minister of Foreign Affairs of Nicaragua and the distribution of publications.

I. ELECTION OF CHAIRPERSON

2. The Chairman of the General Council had carried out informal consultations on the appointment of Chairpersons to the different WTO standing bodies in accordance with the established guidelines for the appointment of such officers. On the basis of the understanding reached, Mr. Lavorel proposed that the Committee on Budget, Finance and Administration formally elect Ms. Dubois-Destrizais as Chairperson by acclamation. The Committee so agreed, and Mr. Lavorel then handed over the chairmanship to Ms. Dubois-Destrizais who thanked the Members for their confidence.

II. WORK PLAN FOR 1999

3. The Chairperson referred to the document CRP(99)04 of 15 March 1999 on the proposed schedule of meetings for 1999. It included *inter alia* the examination of: (i) the Final Position of the 1998 Budget; (ii) the Director-General's Financial Report on the 1998 Accounts of the WTO and the Report of the External Auditor Thereon; (iii) the Budget Estimates for 2000 for the WTO and the International Trade Centre (ITC); and (iv) the minimum contribution to the WTO Budget. The Chairperson stressed that if, in the course of the year, more meetings were required, or additional issues necessitate discussions or review, they would be added to the proposed schedule.

4. Several Members considered that, as the WTO secretariat was independent as of 1999, it was important that the Budget Committee meet (formally and informally) more frequently to exercise its control function over administration and budget so as to ensure transparency and accountability. A few expressed concern that an increased number of meetings would strain the capacity of some Delegations to cover adequately all meetings. In concluding, the Chairperson indicated that the Committee should show pragmatism, rigour and flexibility in holding meetings and would program additional meeting if necessary. The Committee took note of the comments.

III ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS AS AT 28 FEBRUARY 1999

- A. CASH SITUATION AND STATEMENT OF OUTSTANDING CONTRIBUTIONS (CRP(99)01 AND WTO/BFA/SPEC/30)
- B. INSTALMENT PAYMENTS FOR COUNTRIES IN ARREARS (CONTRIBUTIONS FROM 1987 (CRP(99)02)
- C. CONTRIBUTIONS OF OBSERVER COUNTRIES TOWARDS THE COST OF SERVICES PROVIDED BY THE SECRETARIAT (CRP(99)03)

5. The Secretariat presented reports on the cash situation and statement of outstanding contributions as at 28 February 1999, the instalment payments for countries in arrears, and the contributions of Observers countries towards the cost of services provided by the Secretariat. The total contributions received amounted to CHF 47,295,038, and the Working Capital Fund stood at CHF 7,533,265. As of 28 February 1999, there were six Members each in Category I and Category II, while in Category III there were four and in Category IV, 20. In the context of the instalment payment for countries with contributions in arrears (contributions for 1987 and earlier years), Ghana had paid all arrears.

6. At the request of Members, document CRP(99)07 concerning the WTO technical co-operation activities was prepared by the Secretariat and distributed to the Members after the meeting. A Member requested that an analytic page be included in Trust Funds activities paper in the future.

7. The Committee took note of the reports.

IV. INACTIVE MEMBERS

8. Following the recommendation of the Preparatory Committee of the World Trade Organization on the issue of Members in category IV of the administrative measures, the Secretariat prepared a list of Members which have accumulated more than three years of arrears up to and including the financial year of 1998 as at 28 February 1999 (WT/BFA/W/30).

9. Consequently, in accordance with paragraph 7(b) of document PC/7,L/7578, the Committee recommends to the General Council that the following Members be urged to liquidate their arrears:

Angola	Gambia
Antigua and Barbuda	Guinea
Burundi	Guinea-Bissau
Cameroon	Mauritania
Central African Republic	Nicaragua ¹
Chad	Niger
Congo	Rwanda
Democratic Republic of the Congo	Sierra Leone
Djibouti	Solomon Islands
Gabon	Togo

¹ At the time of finalizing this report, Nicaragua had made a payment and was no longer under any category of the administrative measures.

V. ASSESSMENT OF ADDITIONAL CONTRIBUTION TO THE 1999 BUDGET AND ADVANCE TO THE WORKING CAPITAL FUND: ACCESSION OF LATVIA

10. In view of the accession to the WTO of the Government of Latvia (document WT/BFA/W/29), the Committee recommends to the General Council that a *pro rata* contribution to the 1999 Budget amounting to CHF 53,748 be assessed on this Government. This assessment, calculated as from 10 February 1999, is based on an annual contribution of 0.05 per cent, taking into account the international trade figures (imports plus exports in goods, services and intellectual property rights) of Latvia for the years 1995 – 1997. Furthermore, on the basis of the Working Capital Fund of CHF 7,533,265 on 10 February 1999, the Committee recommends to the General Council to assess an amount of CHF 37,666 on the Government of Latvia as an advance to the Fund.

VI. CONTRIBUTION TO THE WTO

11. With regard to the minimum contribution to the WTO Budget, the Chairperson presented a proposal in document WT/BFA/W/31 that the minimum contribution be reduced from 0.03 per cent to 0.015 per cent as from the budget for the year 2000 and that the contribution of observers be fixed at the level of 0.015 per cent from the year 2000 onward as compared to half the minimum contribution. She stressed that this question had been debated extensively in the past and that the matter had been favourably received in the course of the Committee's meetings in late 1998. She indicated that it was not her intention to take a decision at that meeting of the Committee and not to have a general debate on the question. All documents were on the table, of course additional options could be raised and she was, with the secretariat ready to give all information needed. But it was time for delegations to request instructions from their Capitals. She wished that a decision could then be taken at the next meeting of the Committee in June. It was necessary to take a decision before the Committee would start the discussion on the WTO Budget for 2000 in September.

12. Some Members enquired on the method of calculation. At the request of some Members, an informal technical meeting on the method of calculation was held on 1 April 1999 at which time document CRP(99)06 was examined and various technical points clarified.

13. The discussion on the issue continued when the Committee resumed on 22 April. Document CRP(99)09 reflecting simulations on different minima, as suggested in the informal technical meeting, was distributed to Members. The Chairperson said that the minimum of 0.015 per cent was found to be a good compromise among various minima. It was her intention to maintain her proposal at that level. She stressed again the importance of dealing with the proposal at the June meeting of the Committee since, if the Committee was not in a position to make a recommendation to the General Council at that time, the draft Scale of Contributions, which is prepared in August and distributed in September, would have to be calculated at the minimum of 0.03 per cent, thus making it more difficult to discuss the proposal with a modified Scale of Contributions.

14. The Committee took note of the comments.

VII. PERSONNEL MANAGEMENT QUESTIONS

15. At its meeting on 19 March 1999, a member of the Secretariat introduced document CRP(99)05 concerning the classification of posts in the WTO Secretariat. He indicated that a comprehensive post classification exercise had been undertaken to ensure that the principle of equal pay for work of equal value was observed across the Organization, and to identify career streams for the various occupational groups in the WTO. Each career stream consisted of a series of discrete grade level definitions specifying the qualifications duties and responsibilities required at each grade in the career stream and culminating in a ceiling grade corresponding to the full requirements of the

post. On the basis of detailed submissions received from division Directors, the joint management/staff group determined the ceiling grade.

16. Some Members showed concern that grade creep could result from the classification exercise and enquired what mechanisms were in place to control it. They also expressed the wish that Members be consulted prior to the finalisation of the post classification exercise. Others enquired about the long-term results of the classification exercise in respect of expenses. With regard to promotion, Members enquired about the promotion policy and its control mechanism as well as the system for performance evaluation.

17. The discussion resumed on 22 April 1999. The Secretariat introduced document CRP(99)08 which provided an overview of the integrated personnel management system in force in the WTO since 1 January 1999. The overview addressed concerns expressed by some Members during the discussions on 19 March 1999 with regard to recruitment, post classification, promotion and performance management and their budgetary impact. With regard to recruitment, Staff Regulations 3.1 to 3.4 outlined the policy which was to identify through appropriate interview and testing procedures the most suitable candidate to fill a post at the lowest level commensurate with securing the required expertise.

18. Staff Regulation 6.4 stipulated that the WTO would institute and maintain programmes to classify posts. The classification standards had been developed on the basis of Common System standards and permitted the definition of a career path for each post. In this respect, the Secretariat stressed that it was justified to have director posts at a single level but that there was no question of automatic progression to Grade 12. Grade 11 served as an exceptional level for a very restricted number of outstanding professionals as well as the first level of the director career path.

19. The policy on promotion, the key instrument of personnel management, was stipulated in Staff Rules 107.1(b) and(c). Proposals for promotion are reviewed by the Appointments and Promotions Board (APB), which formulated recommendations for consideration by the Director-General. In this respect, performance evaluation had to be applied systematically, consistently and transparently across the Organization. Work was currently in progress on the preparation of a system of performance-related pay to be introduced in the year 2000.

20. Another member of the Secretariat explained the development of standard costs and salary increments in the annual budgeting exercise. As indicated in the document CRP(99)08, Professional and General Service standard costs have been downward adjusted from 1995 to 1999. Under the WTO, the only automatic adjustments to salaries would result from inflation. From the year 2000, the present system of automatic steps would be replaced by a performance-related pay system. With regard to promotions, as indicated in the document, the cost of a single promotion was equivalent to two additional steps (annual increments) in the lower grade. Therefore, for Professional level staff, the cost would be up to CHF 5,900 while that for General Service staff would be up to CHF 5,300.

21. Some Members expressed concern over the recent post classification exercise and especially on the question of a ceiling grade for a defined post and the budgetary impact on a long-term basis. They indicated that they would not want a top-heavy organization. Several Members stressed that the post classification exercise should not entail a budgetary increase. Others suggested that consultations take place between the Members and the Secretariat prior to any major change of the structure and balance of the latter. Some Members considered that the Secretariat should have a certain autonomy in personnel matters. They suggested, however, that the annual budgeting exercise could provide information on the number of promotions planned with an indication of the additional amount involved in order to ensure transparency and budgetary control.

22. In reply to questions, the Secretariat indicated that the APB advised the Director-General on recruitment and promotion matters. However, it was the prerogative of the Director-General to

appoint staff at grades 11 and 12. The membership of the APB was different from that of the panels which interviewed candidates for posts. With regard to recruitment matters, the Secretariat took into consideration the element of gender and geographical distribution at the projection stage. A Deputy Director-General from the Secretariat expressed his availability to the Members for further consultations to enhance the understanding on the various matters under discussion between the Members and the Secretariat. The Members welcomed the initiative.

23. The Committee took note of the comments from the Members and indicated that the matter would be taken up again at the next meeting of the Committee.

VIII. ESTABLISHMENT OF THE WTO SECRETARIAT

24. The Secretariat gave an oral report on the establishment of the WTO Secretariat and recalled the first progress report that the Secretariat had circulated to Members on 27 January 1999 summarising developments since October 1998. As conditions for the establishment of the independent WTO Secretariat and Pension had been met, the Director-General terminated the membership of ICITO in the United Nations Joint Staff Pension Fund (UNJSPF) as of 31 December 1998. Since then, 85 per cent of the estimated amount of assets to be recovered from the UNJSPF had been transferred to the WTO and invested in the name of the WTO Pension Plan in an interest-bearing account. Preliminary work had begun on the investment policy for the new pension plan through the hiring of a firm of independent experts based in Switzerland. A Management Board was established under the chairmanship of Ambassador Morjane following the election of Members by the General Council and the designation by the Director-General of members from the Secretariat. The Management Board met for the first time in mid-April. The next meeting was foreseen for 3 May 1999 to consider investment policy. In the meantime, the Secretariat had received the final certification from the Panel of Independent Actuaries set up by the General Council. It confirmed that the compensation and personnel scheme remained cost neutral and viable in the long-term, taking into account the estimated final amount of assets to be recovered from the UNJSPF. The certification had been circulated to the members of the Board.

25. The Secretariat also informed the Committee that at the dissolution of the ICITO, there had been 28 staff who did not accept a WTO contract. A total of CHF 3.6 million had been paid out to cover indemnities and other end of service payments. The termination indemnities paid were strictly in line with the UN Regulations.

IX. OTHER BUSINESS

COMMUNICATION FROM NICARAGUA

26. A delegate from the Nicaragua Mission took the floor and informed the Committee of the heavy burden which hurricane Mitch had inflicted on his country. Taking into account of the exceptional circumstances faced by his Government, the latter would like to request the support of Member States for the cancellation in full of Nicaragua's debt towards the WTO. He further proposed that a contingency fund be created, made up of contributions from donor Members, to support countries, which in spite of their demonstrated willingness to pay, have been unable to do so due to exceptional circumstances.

27. It was noted that the point would be included on the agenda for the June meeting of the Committee.

DISTRIBUTION OF DOCUMENTS

28. The Delegation of Cuba referred to the WTO practice of distributing only two copies of publications to Missions. He requested flexibility in the practice and that Missions should be able to

receive copies according to their needs. He requested that the matter be discussed at the next meeting and the Secretariat prepare a note on the current situation of the distribution of the document and its financial consequence.

29. It was noted that the point would be included on the agenda for the June meeting of the Committee.

X. POINTS FOR DECISION: Paragraphs 9 and 10
